

The Executive

PURCHASER



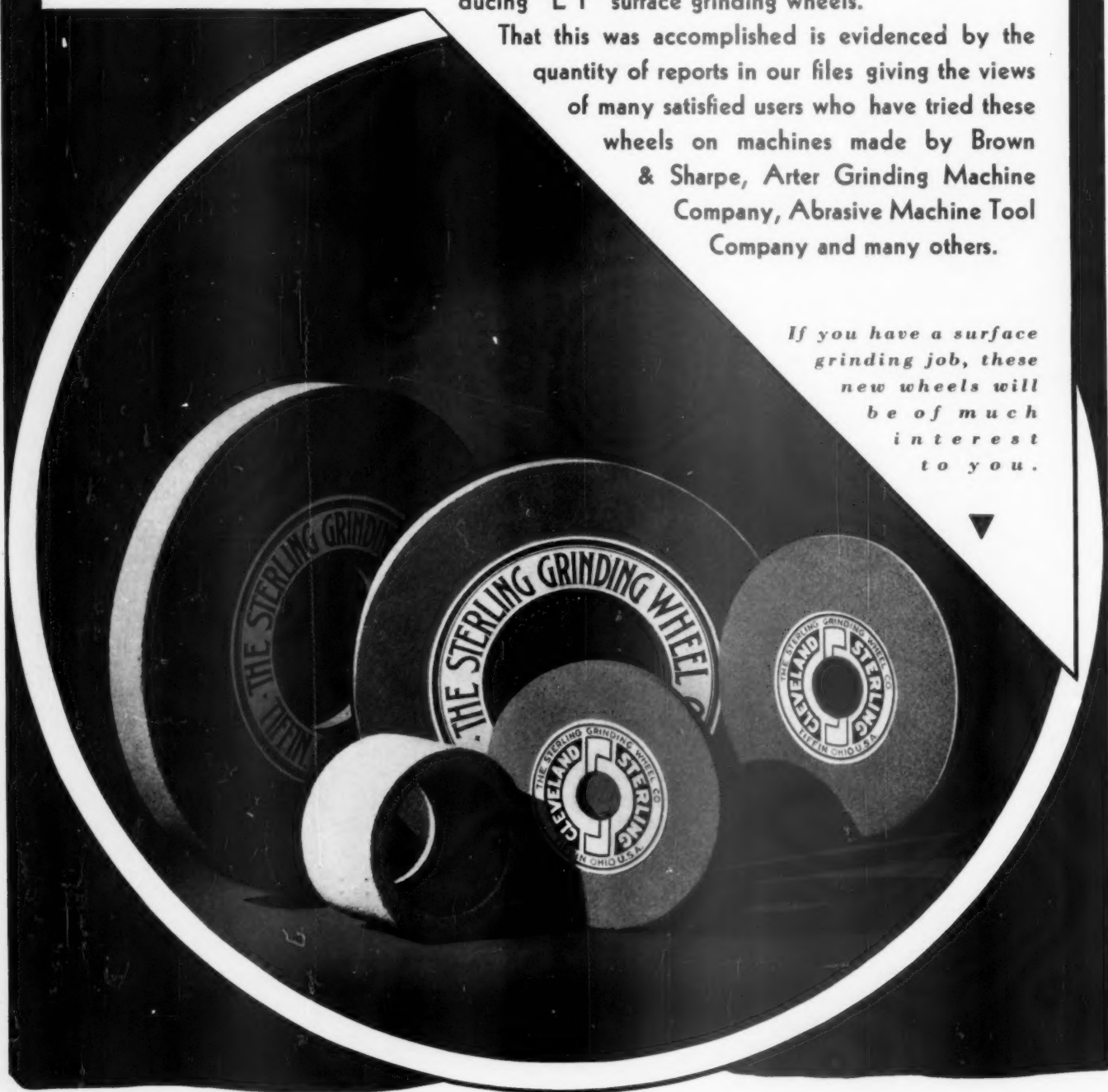
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The Executive **PURCHASER**

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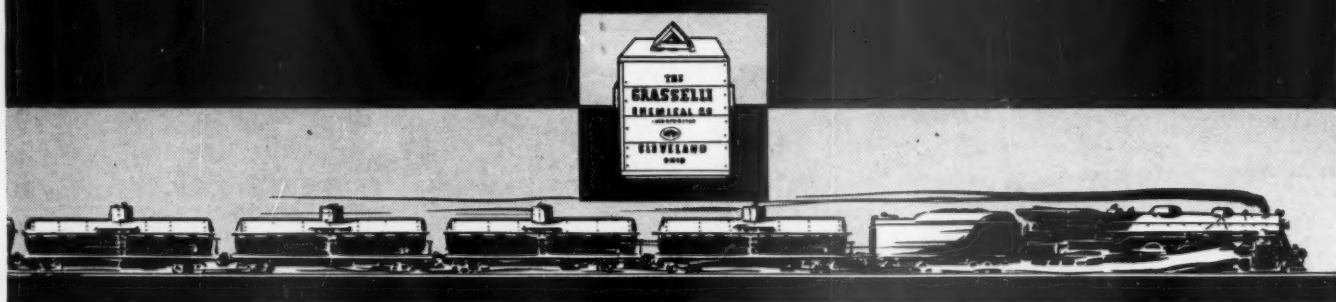
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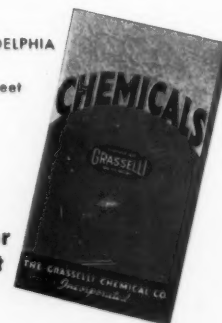
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EDITORIAL

ORATORY in support of the Recovery program has been abundant, but the first news of bona fide action comes from the Pacific coast.

By unanimous vote the Purchasing Agents Association of Northern California has pledged its members to deal exclusively with sellers who have accepted and comply with the tenets of the NRA. In convention assembled at Berkeley, Calif., this group, representing a potential purchasing power of more than \$600,000,000 annually, further declared that it would favor products of American manufacture.

If the Administration has been seeking a club with which to bring into line recalcitrant code signers and conscientious objectors to Blue Eagle principles, it has one now with a power far greater than that symbolized in the enormous shillalah recently presented to Administrator Johnson by a Wisconsin chamber of commerce.

This fearsome weapon is a piece of natural growth cedar, has a haft six feet long and terminates in a great, gnarled formation of flinty hardness. It has been dubbed "Paul Bunyan's Billy," but even the redoubtable Paul, who, legend has it, used to pick his teeth with a Georgia pine, never swung a billy with a fraction of the power represented by the action of the California purchasing agents.

Whether we as individuals agree with the policies and principles of the NRA or take violent exception to them, the fact remains that the country as a whole is definitely and unalterably committed to the program. And it is a program the success of which hinges entirely on the whole-hearted cooperation of every industry and every individual citizen. It must succeed. There can be no turning back now. We are all in the water and there is no alternative but to swim.

In the light of these facts this publication wishes to commend heartily the action of the Purchasing Agents Association of Northern California. That it will have immediate and favorable results cannot be doubted. Six hundred million dollars is a most persuasive argument.

REGARDLESS of the present situation of PRA, NRA, blanket codes, inflation or deflation, October days are here. Every fall we declare that there are no days quite as fine as autumn days. Likewise every winter we like winter because we can be warm or cold as we choose. Then, spring—and the tree blossoms. And even hot summer with golf and tennis, with a dip to cool us off occasionally. We are happy with the sheer joy of living. True our dollars are worth less, and unfortunately they are harder to get—but the whole business brings us down to something that strikes a depressing note in the otherwise perfect atmosphere.

We have just finished reading "Life Begins at Forty." This book seeks to prove that the average human reaches his greatest success beyond forty, quoting many eminent examples of composers, industrialists and others. After reading the book you are supposed to tighten up your belt and face the next years with smiling anticipation.

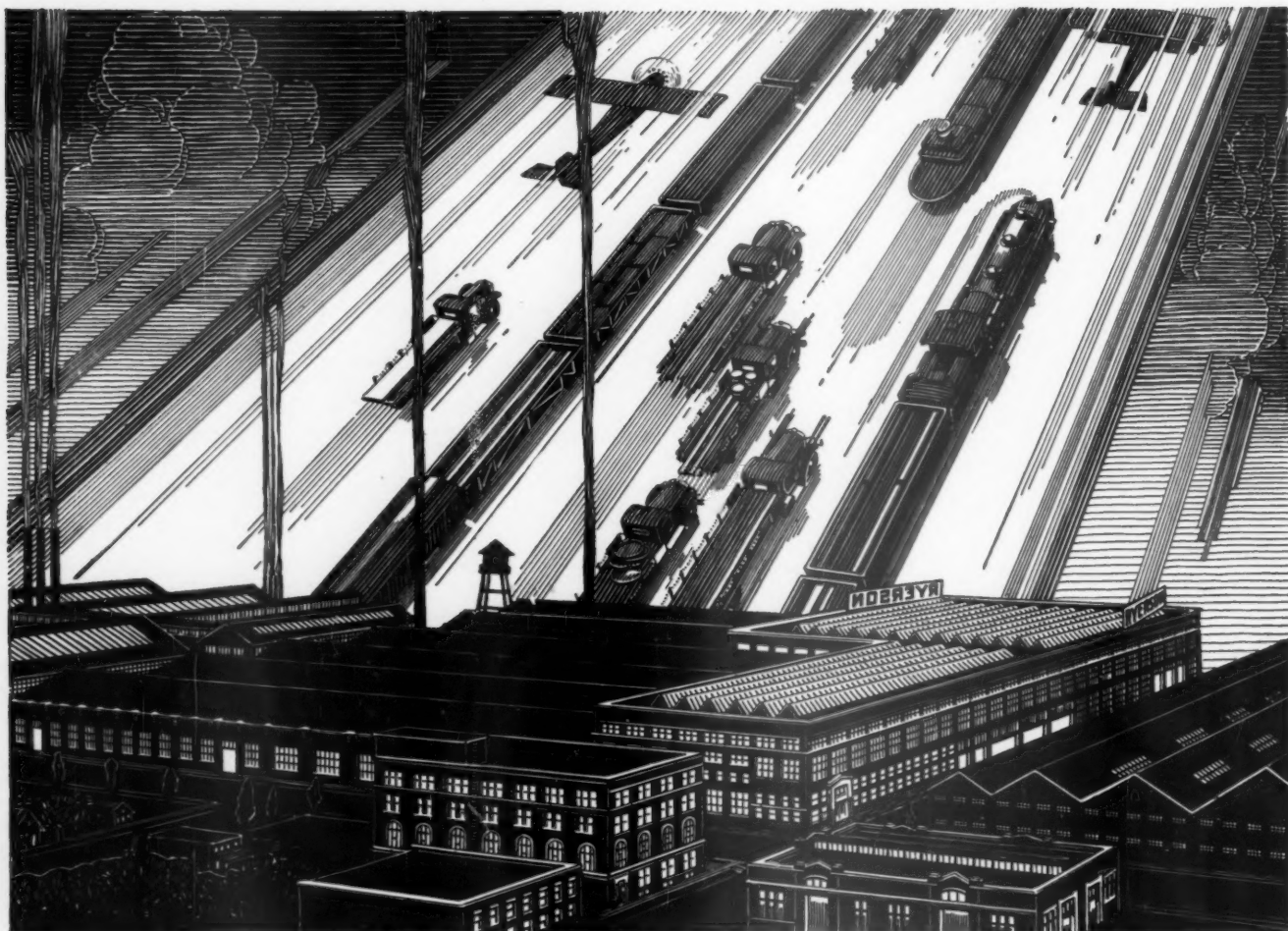
But the book says regardless of your mental attitude you must slow down on strenuous activities. Not so much tennis—hard on the heart; don't try to run with the boys too much; watch your food and habits! To us that is depressing. For this fall when we see some halfback get away for a touchdown we cannot visualize what *we* would do if we could get in the game—our thinking is overshadowed by the dire prospect of having our limp body carried off the field a yard on the wrong side of the goal posts.

Then too, we can no longer look at our legs and feet which have been our friends for all of our years, and think that they can still carry us a hundred yards as fast as ever.

And we cannot look at hot mince pie on Thanksgiving and buckwheat cakes on cold mornings, without a serious thought that our interiors are not what they used to be.

Nevertheless as we said before, October days are here, and there's "frost on the pumpkin," and we are going right on living as we did before—the book be hanged.

We would rather die from an overtaxed heart in the thrill of staying young—than pass out in bed fifty years from now.



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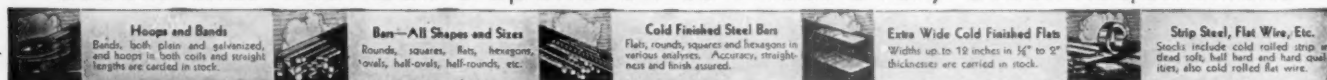
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PURCHASING ECONOMICS

by B. J. Summerhays, *Consulting Economist*

MR. Purchasing Executive, if you are to fulfill the future responsibilities of your calling you can no longer be simply a buyer. You will need to have an executive knowledge of production and its influences on purchasing; of merchandising and its influences on production; and you will need to have an associated knowledge of both merchandising and production.

Established economic laws and principles will exist as long as this order of human life remains. Procedures under these economic laws and principles, however, are changing. In our new order of economic procedure it will be necessary to make important business adjustments. One of the first adjustments to be made is that of production. Your influence on this first adjustment is of great moment.

The production unit of the future will be a well organized, compact structure. It is no longer economically sound to spread capital production structures in order to meet intermediate production upturns. Future production running ahead of normal will be met with additional operating shifts and not by expanded capital production structures. Production units will not be penalized in subnormal production periods; the questions of capital return, dead investments, amortization and labor control will be largely solved.

In the future the executive purchaser will balk at any policy which will require an extension of capital investments for production purposes, unless the present production structure becomes taxed beyond its capacity of a three-shift operation in an expanding market cycle.



Where the money comes from—the U. S. Bureau of Engraving and Printing, seen from the Tidal Basin of the Potomac river.

HARRIS & EWING

Caution in Buying

Let us turn to the point of original influence in the activities of the executive purchaser—the merchandising schedule. Your merchandising executive cannot reasonably expect to be able to dispose profitably of your products to a greater extent than the buying power of his markets permits. Your production executive cannot reasonably expect to operate successfully beyond your merchandising capacity, except in those few rare instances where seasonal or other influences would justify producing ahead. The executive purchaser should not accept the responsibility of committing his company to purchase beyond the capacity of his production structure timed to reasonable merchandising schedules.

In planning your purchasing schedules your first point of consideration is the market absorption for your products. This brings us face

to face with the question of buying power, of which the largest single influence aside from inflation or stabilization at the present time is the amount of money in actual circulation.

According to the U. S. Government "Circulation Statement of the United States Money," the total monetary stock in the United States in December, 1929, was \$8,732,677,064. The total daily average amount of money "in circulation," or outside of the Treasury Department and Federal Reserve Banks and agencies was \$4,864,824,312. Turn now to 1933. The total monetary stock of the United States in August of this year was \$10,011,012,619. The total daily average amount of money "in circulation," or outside of the Treasury Department and the Federal Reserve Banks and agencies at the same period was \$5,612,121,521.

According to this statement of

money "in circulation" we had in August of this year a daily average of \$747,297,209 more than in December, 1929. In the ordinary course of economic calculation, this would indicate that the present buying power of this country is greater and in a more liquid position than it was in 1929. There are many who have taken this viewpoint, planned their production and purchasing accordingly, and have ended up in serious over-buying and over-production, resulting in huge net losses.

Frozen Deposits

Let us take this daily average

amount of money "in circulation" in August, 1933, of \$5,612,121,521 and analyze it for the purpose of determining just what circulatory power is now actually effective. According to advices from H. Warner Martin, assistant to Governor Black of the Federal Reserve Board, at the end of August, 1933, total deposits of member banks which had not been licensed by the Secretary of the Treasury to conduct normal operations, but which had not been placed in formal liquidation, amounted to approximately \$987,000,000. Total deposits of non-member banks, which were not operating, except mutual savings

banks, amounted to approximately \$922,000,000, or a total of \$1,909,000,000.

Add to this amount the money tied up in banks in the process of liquidation and in mutual savings banks, and it is estimated that there is approximately \$2,250,000,000 in deposits tied up in our banking structure. It has been conservatively estimated that the amount of actual money represented in these frozen deposits is \$350,000,000. This reduces the amount of money in actual circulation to \$5,262,121,521. In addition to this, it has been estimated that there are between one and two billion dollars which have been taken from this country and deposited in European banks, which we will call flight money.

Taking the lowest estimate of one billion dollars, this reduces our actual circulation fund to \$4,262,121,521. The records of fifty of our largest corporations reporting both increases and decreases in their cash position, record a total increase in cash position in 1933 over 1929 of \$508,266,191. A conservative estimate of this increased cash position throughout our entire industrial structure, represented in actual money is \$300,000,000, leaving the daily average amount of money in actual buying circulation as \$3,962,121,521. This is the smallest amount of actual money in circulation we have had since prior to 1914.

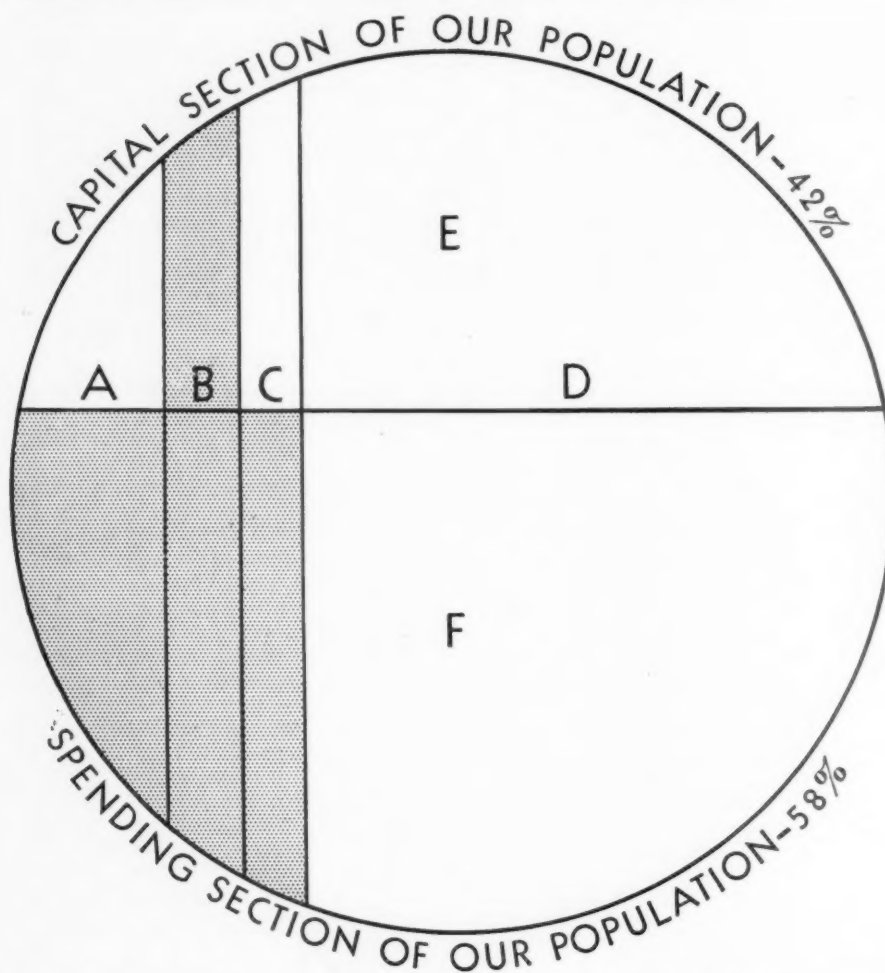
The accompanying illustration gives a graphic picture of our present monetary circulation condition.

Must Release Cash

Regardless of artificial stimulants, of economic theories, or of political ballyhoo, we cannot hope to better our industrial position until this frozen money is put back into actual purchasing circulation.

The government is endeavoring to release the cash frozen in our banks. There are many opinions as to how this should be done, but the simplest and most effective way is to pay the depositors in actual

Continued on page 27



| | |
|---|-----------------|
| Daily Average Money in Circulation | \$5,612,121,521 |
| A—Estimated Money in Flight | 1,000,000,000 |
| B—Estimated Money in Frozen Deposits | 350,000,000 |
| C—Estimated Money Trapped in Banks by Excess Corporate Reserves | 300,000,000 |
| D—Estimated Money in Actual Circulation | 3,962,121,521 |
| E—Estimated Money in Actual Circulation in Capital Group | 1,664,091,044 |
| F—Estimated Money in Actual Circulation in Spending Group | 2,298,030,487 |

DETERMINATION of PURCHASING COSTS

by HOWARD T. LEWIS, Professor,
Harvard Graduate School of Business Administration

• • • • •

*A paper read before the 18th Annual Convention
of The National Association of Purchasing Agents*

HOW to measure the cost of purchasing is a question that is constantly recurring in one form or another. Little has been done, however, toward reaching any agreement as to a sound method of procedure.

This hesitancy is not due to any lack of appreciation of the value to be derived from a knowledge of purchasing costs. On this point there is, or should be, little disagreement. It can almost be categorically stated that *no project which the National Association of Purchasing Agents could undertake would possess greater potential value to purchasing than the development of an acceptable plan of cost analysis.* Some appreciation of what such a step would mean can be secured by noting what a knowledge of marketing costs means to a salesmanager, or of manufacturing costs to a production manager. It must be apparent to every student of business that, without the information provided by adequate cost data, any executive responsible for either sales or production would be at a loss as to how to proceed. No argument is necessary to substantiate the fundamental importance of such data in those fields. Neither should it be necessary to convince the purchasing officer that similar facts with reference to procurement should be available to him.

Valuable Comparisons

As a comparative basis upon which to establish sound *purchasing policy control*, such data would

indicate how much and at what points the purchasing costs of any one company compare with those of other companies having essentially similar characteristics, and furthermore these data would provide some more or less adequate standard by which either to modify or justify the costs. In the second place, such data would provide a substantial, although not all-inclusive, *measure of the efficiency with which the purchasing officer is performing the procurement function; for after all, the ultimate test of his efficiency is to be found in his ability to serve the best interests of his company at the lowest possible cost.* In the third place, the development of cost data would serve a very *real educational purpose*, both for the purchasing officer himself and for the general manager, in that it would demand rigid and incisive thinking with respect to the true nature of the procurement function.

For these and possibly other reasons, the most difficult problem is *not to demonstrate the value of procurement cost data, but rather to devise a method of securing such data.* Owing particularly to the widely divergent conditions under which the purchasing function is performed, this latter obstacle has seemed to many persons insuperable. In some concerns, invoice checking, inspection, scrap and salvage disposition, research, and traffic are all directly under the jurisdiction of the purchasing officer, while in other companies none of these activities are within the prov-



HOWARD T. LEWIS

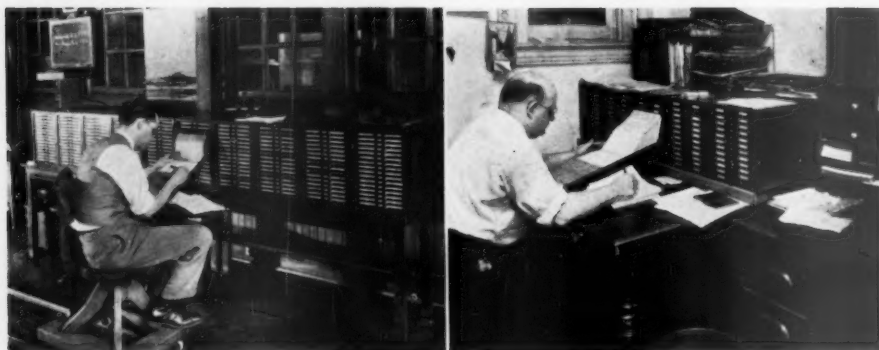
ince of the purchasing department. Another obstacle to be found in the absence of any standardized method of accounting for expenditures.

Task Is Not Impossible

Real as these difficulties are, there is good reason to believe that they can be overcome, and that a classification of costs can be set up and cost information collected in accordance therewith which should be sufficiently accurate and acceptable for all practical purposes. Certainly in the light of the almost complete lack of such data, anything that can be done in this direction would seem worth while. It is safe to say that there are no major problems involved in this proposed project that did not confront those in the production and marketing fields when the pioneer work in costing was undertaken there.

The following wholly-tentative proposals are advanced with no thought other than that they may provide a basis for further study and discussion. They may also serve to illustrate the type of analysis which it is here contended can become of inestimable value to procurement management.

It is important to note further that the data provided under the following plan should not be considered an integral part of the regular accounting system of the company. It is designed to provide certain additional statistical information of value in determin-



Left: New cost system in modern office. (Note chair on track)

Right: New cost system installed in old office.

ing the company's policy with reference to purchasing.

The total cost of purchasing should be stated as an absolute dollar figure, which should then be translated into a percentage of the total production cost. Each component part of the total purchasing cost should likewise be converted into terms of percentage of the same base.

An alternative basis for conversion might be to compare the total cost of purchasing (and of its component parts) with the total dollar volume of materials purchased.

Comment:

For the purpose of this discussion, it is assumed that the purchase of machinery, major equipment, and such items as office supplies used in all phases of company operation (and hence not entering directly into the cost of production) are excluded. To achieve the objective sought by the general project under review (namely, the determination of purchasing costs for purposes of procurement policy control and the measurement of procurement efficiency), no consideration need be given to the allocation of general company overhead (taxes, interest on indebtedness, etc.). The primary reason for this exclusion is to be found in the fact that such items are beyond the purchasing officer's control and hence can in no direct sense influence either his policies or his personal efficiency.

A question may arise as to any justification for the use of the total production cost as a base since the total production cost includes the purchasing cost. However, no greater error is thereby introduced than prevails in the common prac-

tice of measuring marketing expense on a basis of total dollar volume of sales, which includes the cost of merchandise sold. Furthermore, so long as the items included in the total production cost (including that of purchasing) are known, no harm is done.

Purchasing Cost Control

The use of the alternative base (total dollar volume of materials purchased) raises the question as to whether the emphasis is properly placed, in view of the fact that the controlling purpose to be served is that of keeping the purchasing cost down as compared with total production cost.

An objection may also be raised to the use of this base on the ground that where used an increase in the amount of material bought reduces the percentage of purchasing cost, and that a lowering of the general price level increases the percentage of such cost (and *vice versa*). Either of these conditions would to some extent affect the validity of any comparisons that might be drawn. With respect to the former, it may be noted that a somewhat analogous condition prevails in comparing industries on the one hand in which the proportion of fabricating or processing costs is normally high in relation to material costs, with those industries on the other hand in which material costs are higher in proportion to fabricating or processing costs. This is not serious where comparisons are made between similar industries or within the same company from year to year.

With respect to the effect of changes in the price level, it may be noted that while the dollar value of purchases is likely to vary to some degree directly with the price level, a partially counteracting element is introduced by the fact that

the volume of purchase, and hence the size and activity of the department, is also likely to vary in the same direction. Furthermore, an allowance can be made for the conditions referred to in explaining the variations in purchasing cost. *An increase in purchasing cost at one time as compared with another or of one company as compared with another should not be interpreted as in and of itself adverse criticism of policy or efficiency.*

The following classification of purchasing costs is suggested as a basis upon which further discussion of method may be based.

I. Purchasing Administrative Costs.

This would include such items as:

- A. Salaries paid to purchasing officer and assistant buyers.
- B. Clerical expense.
- C. Traveling expense.
- D. Office expense, including rent, heat, and light.
- E. Miscellaneous, including such items as subscriptions, dues, and convention expenses.

II. Cost of Materials and Supplies Purchased.

A method of treatment worthy of serious consideration is that, since the project under discussion is designed to measure purchasing costs, a comparison be made between the market price of supplies and materials bought on the one hand and the amounts over or below this price actually paid on the other. When supplies are bought at more than market price, the excess should be added to the cost of purchasing. If materials are bought at less than market, a deduction from the cost of purchasing should be made. If, however, a purchasing department buys at market, it is after all doing the thing that would normally be expected. Obviously, it would be unfair to charge against the purchasing department as part of its cost the total amount paid for materials and supplies unless such materials were used by the purchasing department itself.

A question arises as to whether the figure at which prices of materials purchased shall be the market price at the time materials are purchased or the market price at the time such materials are used. It is believed that the latter is preferable since the real gains derived

Continued on page 22

President Kirkman Addresses Cleveland Association

The visit of President Walter N. Kirkman, of the National association, featured the dinner meeting of the Cleveland Association of Purchasing Agents September 22 at Hotel Statler. More than 80 members were present to hear Mr. Kirkman's talk on the NRA.

Following the dinner, R. G. Sweeney, president of the Cleveland group, opened the meeting and introduced President Kirkman, who prefaced his talk with the warning that his was not a prepared speech and he only hoped to give his listeners some idea of how NRA officials and representatives of the National Association of Purchasing Agents are jointly striving to protect the rights of consumers. He asked further that judgment be reserved until completion of the program.

Declaring that the National Industrial Recovery Act is not only an economic movement but social as well, Mr. Kirkman then told of

his initial contacts with the NRA officials in Washington early in July, their ready acceptance of his offer to cooperate in the interests of consumers and his first meetings with the then skeleton Consumers' Advisory board, consisting of Dudley Cates, Professor Ogburn and Mrs. Rumsey.

Recognizing the value of advisory counsel from an organized consumer group representing an annual buying power of approximately twelve billion dollars, the government's first request was that headquarters of the N. A. P. A. be moved to Washington. Naturally this request had to be refused, but at the suggestion of NRA officials,

President Kirkman and Secretary George A. Renard submitted some recommendations for operation of the Advisory board, many of which already have been adopted.

Indicative of the extent to which the National association has taken action in the interests of consumers generally and purchasing agents in particular is the fact that L. F. Boffey now is chairman of the Code Analysis section of the Recovery machinery and is being assisted in this work by Edward T. Gushee, purchasing agent of the Detroit Edison Co., George M. Tisdale, director of purchases, United States Rubber Co. and Stuart Heinritz, formerly associate editor of *The Purchasing Agent*.

At the conclusion of his talk Mr. Kirkman and a number of the officers and members of the Cleveland association left for the meeting in Columbus, O., of the sixth district directors of the National association.

Left to right: H. H. Krause, F. L. Kulow, President Kirkman, R. G. Sweeney and E. C. Manning at the speakers' table during the dinner for Mr. Kirkman in Cleveland.



Pulse of Business

Washington continues to be the dominant factor in the commodity markets, as well as the general business situation. The recent rumors which emanated from the Capitol, following official conferences, that a sound money announcement was soon to be made seemed to have a favorable effect on price movements. In view of the sharp speculative advance in prices earlier this year, which, it is generally recognized, resulted from the possibility of currency inflation, this movement was somewhat unexpected.

Although nothing definite has been said regarding the future monetary policy of the Administration, recent decisions and new projects already under way emphasize that a turn toward the conservative side has been decided upon for the present, though the powers of inflation delegated by the Thomas amendment "will be used when, as, and if necessary," according to the presidential address of May 7.

For the present a tremendous credit expansion apparently is to receive the undivided support of the various agencies recently created to aid business recovery and the raising of prices. This is one of the most favorable indications coming to light since the inauguration of the New Deal and if such a conservative policy is adhered to, there is provided a sound basis upon which recovery can proceed.

A potential credit expansion of unprecedented proportions is found in the excess reserves of member banks. These now exceed \$700,000,000 and represent a credit base for ten times that amount. With the reserve banks continuing to purchase government securities at the rate of \$2,000,000,000 a year, the basis for a further credit inflation is being constantly added to. The difficulty for some time has been that demand for sound commercial loans has been very limited, partly because of the uncertain monetary outlook. It is hoped that a definite announcement regarding the financial policy to be followed will soon be made. Business men then will know



INDUSTRIAL PRODUCTION

what attitude to assume toward commitments.

It is generally recognized that the advance in commodity prices from February to September was largely speculative in anticipation of a decline in the value of the dollar. Although United States currency is at a discount of about 35 per cent in world financial markets, domestically it is much nearer par. It is interesting to note that the advance in the price of many sensitive commodities from their lows early this year has been proportionate to the decline in the gold value of the dollar in terms of foreign exchange, but the average gain in all prices has not been so marked as the drop in the gold dollar value. With no fixed gold standard, the price of gold, now a commodity, fluctuates with prices of other goods, measured in terms of currency, in direct proportion to demand.

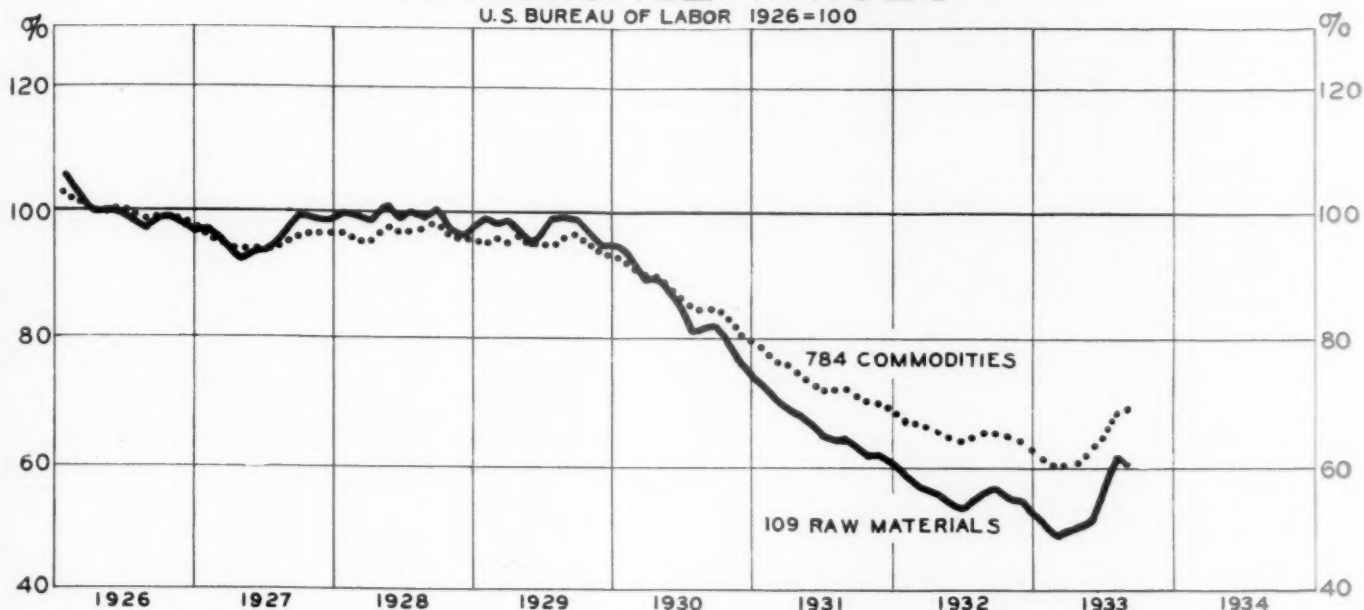
From the low point touched in late February to early October the advance in average prices has been about 19 per cent, judging by the Bureau of Labor Statistics index of 784 commodities. The gain in farm prices has been considerably more rapid, amounting to about 45 per cent, but the ground yet to be covered before the 1926 level is reached is substantial; (the 1926 average is generally recognized to be the goal set by the Administration) farm prices must advance another 70 per cent and average prices of all products need to be raised about 45 per cent before the mark set is attained.

Although prices of some individual commodities, particularly grains, have reacted from their peak, average prices in early October were higher than since late 1931. There has been a gain of less than two per cent in prices in the past month, but the speculative buying evident in early summer has practically disappeared. Money, which formerly found its way into security and commodity markets following the threat of inflation recently has been flowing to foreign countries pending a definite statement regarding monetary policy.

Commodities

WHOLESALE PRICES

U.S. BUREAU OF LABOR 1926=100



STEEL

The steel industry presented a confused picture in early October; labor difficulties in some centers and in the coal fields were disturbing, though actual steel operations in the latest period were unchanged from the previous week after declining steadily for seven weeks. Prices on several lines have increased, but buying is in limited volume.

COPPER

Domestic sales of copper in limited volume continue at nine cents, but rather large sales for foreign account at 8 to 8½ cents have been reported. A plan to remove present large copper stocks from the market has been proposed, but similar schemes in other fields have not been very successful.

ZINC

Price of zinc remains unchanged at 4.75 cents a pound, and some good sales were reported at this level. World production declined in the latest month, but it exceeded last year by nearly 50 per cent.

COTTON

Consumption of raw cotton increased in late September, forwardings to domestic mills being over 40 per cent above a year ago. Prices of raw cotton have weakened recently on reports of favorable harvesting of the excellent crop. They were slightly higher than a month ago on both raw and finished goods.

COAL

Local labor disturbances have become more widespread and some concern regarding the coal supply is noticeable in a few industries since stocks above ground are limited. No coke was produced in Western Pennsylvania in late September for the first time on record. Prices have increased, but quotations on run-of-mine coal are purely nominal.

RUBBER

Restriction schemes received another setback in early October and raw rubber prices declined. Rubber stocks are gradually being reduced as consumption exceeds imports, but they are still large. Spot prices are slightly under ten cents a pound compared with a low of less than three cents. With restriction of output still being considered the future trend of prices is clouded.

PAPER

Production has been improving but demand for other than boxboard has shown a falling-off recently coincident with the decline in industrial operations. New uses for boxboard account for the unusual demand for this product. Prices are still lower than a year ago in most lines, though some increases have occurred recently.

OIL

Prices have firmed recently as producers seriously attempt to bring production down to the maximum determined by the oil industry committee. Mid-continent oil is now quoted \$1.07 a barrel. Lubricating oils have been in good demand and Pennsylvania crude was quoted at \$2.05 a barrel in October. Gasoline stocks continue in excess of 50,000,000 barrels.

LUMBER

Buying of lumber improved somewhat in late September and was better than since mid-July, though orders were slightly under production and shipments from mills. Lumber output was 25 per cent higher in first nine months of this year than in the same period of 1932. Prices increased slightly in the latest month, but potential capacity of mills is much in excess of current demand.



Official Report of Consumers Board

THE functions of the Consumers Advisory Board within the framework of the National Recovery Administration are explained in a statement setting forth some of the considerations which guide the board in its effort to see that consumers' interests are protected under NRA codes. A general program of consumer education was also announced.

Emphasis is placed on the fact that the major aim of the board—consumer protection against unreasonable prices and lowered quality of goods—lies at the heart of the whole recovery program. NRA is putting more money into pay envelopes so that the public can buy more goods and stimulate business. The Consumers Board functions at this point in an effort to see that the public impetus to buy is not halted by prices which might run away from ability to pay.

The board expands the common conception of the consumer as the last buyer and user of goods into a working rule that the consumer is the buyer at every stage, whether it be a producer buying raw ma-

terial, a jobber buying finished goods or a suburbanite buying a lawn mower. This conception, the board holds, is necessary to watching the buying process at points before the product gets into the retail market, in order to check possible pyramiding of profits all along the line.

The board's pre-code work consists in sending representatives to hear code proposals and object if they threaten consumer interests. The general principles guiding its representatives include disapproval of price-fixing, except in "natural resource" industries subject to government supervision; insistence that industries—having a code which prohibits sale of goods below cost—should supply data showing exactly what those costs are; consumer representation on code authorities; disapproval of clauses militating against consumer co-operatives, and code provisions for setting up quality standards to be maintained by the code authorities.

The board announces the formation of a committee from government and other standard-setting

agencies, charged with planning a better utilization of their facilities for the consumer's benefit.

In checking the reasonableness of prices the board is calling on government agencies to help prepare cost of living and wage schedules, as gauges of the country's buying power and as criteria on which suggestions for action against profiteering can be made to the Recovery Administrator.

The text of the board's statement follows:

THIS statement is designed to show how the Consumers Advisory Board functions within the framework of the National Recovery Administration.

The board is one of three advisory bodies which act as counsels for the Consumer, for Labor and for Industry, respectively, during the preparation and administration of the NRA codes of fair competition.

I. In the pre-code phase, before they become law, the Consumers Board sends representatives to the code hearings to request that all

provisions harmful to consumer interests be stricken out.

II. After approval by the president, which makes them law, the board observes their effect in actual practice. If they are not giving the consumer the protection originally intended, the board will suggest to the Administrator the necessity for revision.

A long range program of consumer education is a major aim of the board.

III. The board believes that the consumer is not sufficiently awake to the industrial processes which determine price and quality in the goods he buys, nor to the means by which better standards and more economical distribution can be attained.

It is an innovation in government to establish an agency devoted solely to the consumer as such. In attempting to identify itself with the consuming public, the board has had to chart new territory. The following outline proposes to define the paths by which the board hopes to reach its goals.

Who Is the Consumer?

Before considering the methods by which the Consumers Advisory Board operates in its efforts to protect the consumer, it is necessary to be clear about his identity and the reasons for his importance.

Newspaper cartoons make the Consumer and the Common People one and the same harried little figure, eternally trying to fill a market basket from which, eternally, the wolves of Taxes, High Cost of Living and whatnot are filching his hard-earned commodities. The time honored concept makes it appear that the consumer is the last buyer and user of goods, and that anyone trying to protect his interests must do so at that point alone.

This is a limited view. The lawn mower with which the consumer clips his grass was previously bought by a retailer from a wholesaler who, in turn, bought it from a manufacturer, who played his role as a consumer when he bought

steel from the mills, who themselves were consumers of coal and iron from the mines. Therefore, if we say simply that the consumer is the buyer at each point in this cycle, it makes clear the fact that every price paid, and quality received, enter as factors in the finished product with which the ultimate consumer mows his lawn.

The Consumers Advisory Board, therefore, would be taking a short-sighted view if it considered only the retail selling process, and neglected the base of the pyramid which raises consumer goods to their final market level.

The Consumer's Dual Role

Keeping in mind that manufacturers' and jobbers' prices are of great importance, it nevertheless is apparent that retail prices are the practical gauges to determine whether consumers are going to buy freely or to skimp along as they have been on the bare necessities.

The great present need to stimulate mass buying power makes it wise to point out the dual role of the consumer, first as a wage earner under NRA codes, secondly as a buyer of goods manufactured and sold under NRA rules.

In this respect the consumer is both a clothing salesman and the man who pays the grocer's bills; both the carpenter and the man who buys coal. The farmer and the radio dealer, in their role of consumers, are no different than the small boy sent to the corner grocery with a dime. It follows then that the consumer's stake in recovery must be a two-fold affair, first that he receive good wages, and secondly that the goods he

buys be fairly priced. It would be only passing satisfaction to get a good raise through his trade code if he had to spend it all for unreasonably high priced goods.

This relation of pay envelope to living costs has implications deeper than economic justice to the wage earner. The vitally needed national purchasing power must come in the main from people of small earnings, from workmen and clerks, from the great mass of people who need the things they have not bought during the years of economizing. Unless their ability to buy, so carefully nurtured by the NRA program, is protected against profiteering prices, there is danger that industry's rising tide of production and orders will recede and leave both employer and employees stranded.

The President's Policy

The first sentence in President Roosevelt's public announcement of NRA makes this clear. . .

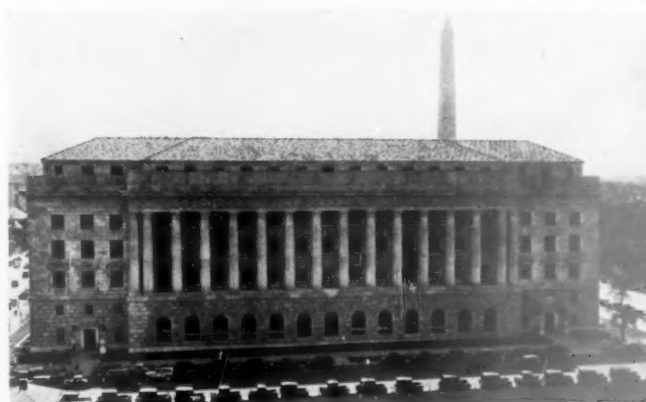
"The law I have just signed was passed to put people back to work, to let them buy more of the products of farms and factories and start our business at a living rate again."

Three days after this statement the president asked business to shorten working hours and to increase wages. Under the codes, or under the President's Reemployment Agreement, it is estimated that some 2,800,000 unemployed have gone back to work. The sum of this new payroll, plus the generally increased wages in blue eagle firms, represents that potential purchasing power which the president intended as a major part of the priming charge to start American

Continued on page 29

ACME PHOTO

Headquarters of the Consumers Advisory Board: the new 17-million-dollar Department of Commerce building in Washington.





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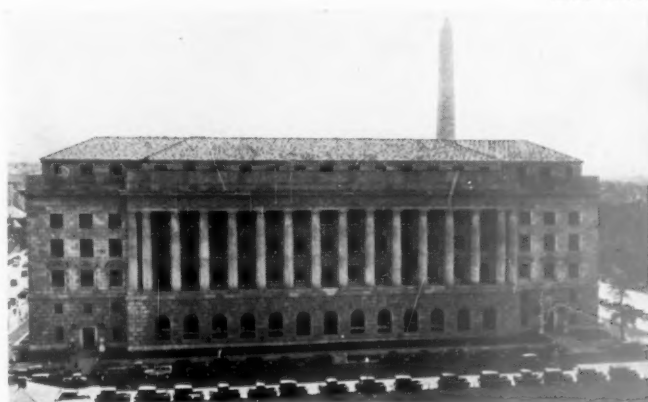
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ACME PHOTO

Headquarters of the Consumers Advisory Board: the new 17-million-dollar Department of Commerce building in Washington.



Legal Rights of The Purchaser

by LEO T. PARKER, *Attorney at Law*

FIRST, it is important to know that a purchaser may at any time cancel or rescind without liability a void or voidable contract.

Various courts have explained that the legal distinction between void and voidable contracts is that neither party may force the other to fulfill the obligations assumed under a void contract, but only one of the contracting parties may rescind a voidable contract.

The law is well settled that a purchaser may without liability rescind any contract of sale where it is shown that the seller induced the making of the contract by fraud, misrepresentation, coercion, undue influence, duress or threats. Moreover, if the contract was made without authority of the purchaser's employee, or where an authorized purchaser is mentally deficient, intoxicated, under the influence of drugs, or under legal age, such contract is voidable and the purchaser may rescind it. Contracts against public policy, pro-

hibited by law, or which have an illegal object are void.

Probably the most common legal reason a buyer may without liability cancel an order arises from fraud on the part of the seller or his authorized representative. In order that a purchaser may rescind a sales contract on the ground of fraud on the part of the seller, the former must prove the following facts: (1) There must be conduct—acts, language, or silence—on the part of the defrauding party amounting to a representation or a concealment of material facts from the other party. (2) These facts must be known to the defrauding party *at the time* the transaction is completed. (3) The truth concerning these facts must be *unknown to the other party* claiming the fraud at the time when it was acted upon by him. (4) The acts of the defrauding party must be done with the intention, or at least with the expectation, that the other party will be influenced. (5) The conduct or

promises of the defrauding party must be relied upon by the other party who was led to act upon it.

Therefore, it is well established that although a buyer or a seller practices deceit upon the other, the complaining party has no legal recourse if he fails to prove that actually he believed the deceitful or fraudulent statements were true and that the same were made before the sale was made.

In some instances failure of the seller to explain facts, when it is *not* his duty to disclose them, does not constitute fraud. However, where he has reason to believe that his silence misleads the other party, such act is an element of fraud. For illustration, in a recent case (101 Iowa 457), the court explained that mere silence of a seller in regard to facts which it is not his duty to disclose is not fraudulent, but where such silence would be misleading the seller is duty bound to speak.

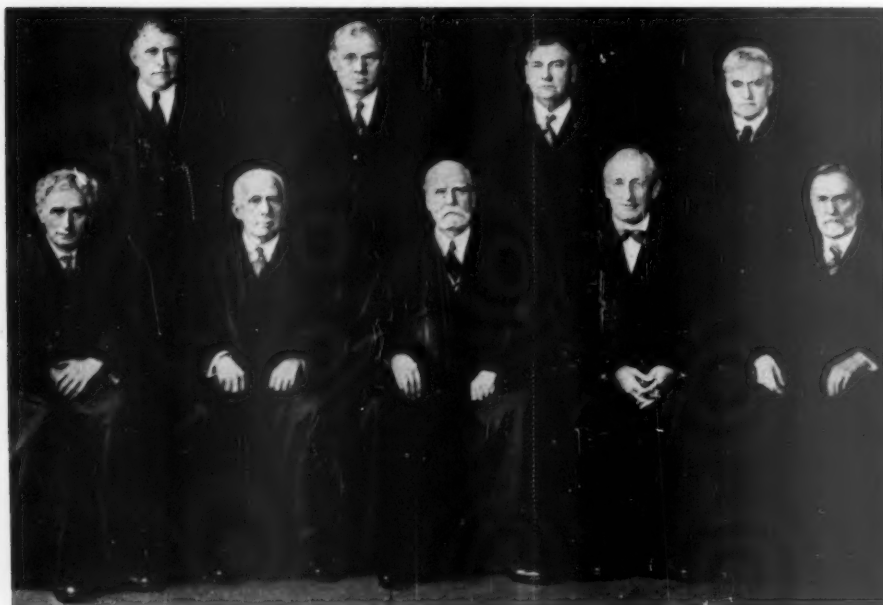
Obviously, delivery of merchandise which does not conform with the samples displayed when the sale contract was signed is legal fraud which entitles the buyer to cancel the order. Moreover, this is true although the buyer accepts the shipment and fails to register complaint until several months after delivery.

In one case (217 N. W. 941) a court held a buyer entitled to rescind a contract of sale and return the goods three months after accepting delivery, when testimony was introduced proving that the purchaser failed to discover immediately that the merchandise did not equal the samples.

Breach of Contract

Another well established point of the law is that a buyer always is privileged to cancel an order where the seller breaches any material part of the agreement, as

Ultimate authority in all legal battles—United States Supreme Court Justices (left to right) Brandeis, Roberts, Van Devanter, Butler, Chief Justice Hughes, Stone, McReynolds, Cardozo and Sutherland.



HARRIS & EWING FROM ACME

where (1) the seller fails to make delivery on the date specified in the contract; or (2) fails to ship the agreed quantity or quality of goods; or (3) fails to make shipment by a common carrier specified by the buyer; or (4) where the seller refuses to accept the kind of payment agreed upon.

Probably the most unusual litigation involving the latter point is found in the recent case of *Warsaw V Woodruff*, 207 N. W. 421. Here the goods were sold for cash. When the seller was ready to make delivery, instead of permitting the buyer to specify the manner of payment, the seller wrote a letter to the buyer requiring the latter to take up the bills of lading from a bank specified by the seller.

The buyer then cancelled the order and sued the seller for damages contending that the act of the seller in demanding him to make payment in a prescribed manner was a breach of the contract.

The court held that the mere demand by the seller of the manner in which the payment should be made was a breach of the contract, for which the seller was liable.

Cancellations

A common source of controversy is where a buyer endeavors to rescind a contract contending he was not fully informed of the contents of the agreement when he signed it. However, it is well established that a contract is not rescindable where it is shown that only *one* of the parties was mistaken with respect to his assumed obligations. In other words, convincing evidence must be introduced to prove that cancellation of the contract is mutually agreeable to both parties.

For example, in *Dixon V Morgan*, 285 S. W. 558, the question before the court was whether a contract should be declared void because a purchaser signed it while mistaken of the contents. This court explained that the general principle of the law, which runs through nearly all of the cases of this character, is that a contract made through mistake of one party

New home of the United States Supreme Court, now under construction in Washington.



can be rescinded *only* when it can be done without interfering with any legal rights acquired by either party and without doing injustice to other persons.

Also, in a recent case (298 S. W. 918) the evidence disclosed that a purchaser negligently signed a contract of sale without reading it. Later he discovered that the instrument contained certain stipulations that were not explained to him by the seller. The buyer instituted legal proceedings to rescind the contract contending that he was mistaken of his obligations, and that he was deceived because the seller failed to explain the details of the obligations in the contract. Notwithstanding these contentions the court held the buyer required to fulfill the contract, and said:

"In the absence of fraud, misrepresentation, or concealment, the rule is well established that one who can read and who signs a contract without reading it, and under circumstances which do not preclude an exercise of due diligence upon his part to ascertain the contents of the contract, will not be heard afterward to say that he did not read it and did not understand its provisions."

Authority of Salesman

Contrary to the opinion of the majority of persons a salesman does not have *implied* legal authority to make a valid contract. In other words, if the salesman's em-

ployer is not satisfied with the offer submitted in an order, duly signed by both the purchaser and the salesman, he may reject the proposal. Also, the buyer is privileged to send his cancellation at any time before the salesman's employer acknowledges and accepts the order.

For illustration, in a leading case decided during the past few weeks, it was shown that a purchaser ordered a quantity of merchandise from a salesman. The purchaser's credit was not established and the salesman required a money deposit with the order. The buyer gave the salesman a cash deposit and both the salesman and the purchaser signed the contract of sale which specified the date when shipment should be made and distinctly stated that no cancellation would be accepted.

The salesman mailed the order immediately to the manufacturer who failed to acknowledge it. Ten days after the order was signed the purchaser decided that he did not want the merchandise. He wrote to the manufacturer cancelling the order and requested that the money he had paid the salesman be returned. The manufacturer answered this communication, but refused to cancel the order or return the purchaser's deposit.

The buyer filed suit to recover the deposit. In this case the court held the buyer entitled to cancel the order and receive the cash deposit from the seller.

A CODE for Purchasing Executives

by **FREDERICK G. SPACE**

Purchasing Agent, Seymour Mfg. Company, Seymour, Conn.

THERE is an honor in business that is the fine gold of it; that reckons with every man justly, that loves light; that regards kindness and fairness more highly than goods or prices or profits. It becomes a man more than his furnishings or his house. It speaks for him in the heart of every one. His friendships are serene and secure." These words are credited to that great New England poet, Henry Wadsworth Longfellow. This golden sentiment is as true today as when it was written decades ago.

Honor in business is a fundamental of the NRA; in fact, the success of that entire program, as I see it, is contingent upon the exemplification of that spirit throughout every phase of our business life. The purchasing agent, willy-nilly, assumes a major role in his endeavor to lift the level of business, practically, and also with equal importance in his relation to business ethics; in fact, his position, as is also that of the salesman, is unique in this regard. If he would successfully meet these responsibilities the purchasing agent should occasionally take time out for a personal inventory. No buyer can have a true concept of his task unless he considers the background of his profession and why he occupies the position which he now enjoys, unless he endeavors to analyze the progress he may have made in the attainment of those qualities which to him at least might indicate or measure his success in his work. Such a procedure now and then might prove highly profitable and somewhat enlightening to all of us.

Why the Purchasing Agent?

As a purchasing agent what is your honest opinion of this job of buying or the way you are measur-

ing up to your task? Why is the purchasing executive necessary? Possibly you have heard that question of late. It may be true that we are not exactly entering an era where competition and prices are fixed and where the office boy can do the purchasing, but we are decidedly in a period of permissible price uniformity which to the degree that we now expect to find it offers no opportunity for the buyer to obtain that extra farthing which hitherto he may have believed his skill and knowledge of the markets or the impressiveness of his requirements might entitle him. It is, however, more than an aphorism to say that there never was a time when it was more necessary for the buyer to be alert and to keep well informed than at present. Economists do not agree and the experts in high places have their differences of opinion. A new measure today calls for a further interpretation tomorrow.

I am reminded of the rooster who by perseverance rolled an ostrich egg into the chicken yard. He called the hens and said: "Now, I'm not casting any insinuations or reproaching any of you hens, but I just want you to see what is being done in other places." High pressure salesmanship is still with us and it behooves us to see what is being done in other places. Like it or not, mediocrity, with its ultimate scaling down of our abilities, is just around the corner for the man who does not keep vigorously abreast of the times.

The Telltale Shadow

Do you remember when you were a lad how it startled you to discover that you were being pursued by your own shadow? Escape it you could not. That shadow is reflected by all of us so long as we are privileged to pursue our tasks in the broad light of day and in

fellowship with others. Will our shadow throughout the lengthening years reflect character and growth and attainment? Will it leave an impress on those with whom we work and with whom we deal that will lift us and our profession before the critical eyes of the business world? I raise this question in the light of the new deal and the changes which are taking place about us.

I have often said that the buyer has attained his place in the sun by a more difficult path than most professions of like importance. He may have caught the vision of his task through his own initiative and ambition. However, if we would credit the testimony of multitudes of buyers the National Association of Purchasing Agents has been the agency which for them has lifted the standard. Under its leadership, as we find it expressed, from its national headquarters, its district offices and its local chapters, comes the clear message of right principles and sound practices and these have fired the imagination and stimulated the thinking of scores of members who have felt its influence. Indeed, more than that, for this note of progress has brought to the leaders of business throughout the land a reminder that the function of purchasing has within its scope more vital possibilities than have hitherto been recognized.

Keeping Abreast of Things

Facing the facts we find that a purchasing agent may have attained his position over various routes; he more or less may have been catapulted into the job through special influence. He may have attained it through progressive advancement within his organization. He may early have manifested an aptitude for the task to

Continued on page 29

NEW PACKAGES - - -

by WALDON FAWCETT

IF any purchasing agent is tempted to sigh for the simple ways of other days, there is some reason to sympathize with him in respect to the specification and selection of containers, parcelling materials, and the whole paraphernalia of packing for shipment. Search the entire range of commodity fields, and you will not find another wherein the past few years has witnessed a shake-up so revolutionary, nor so rapid and varied an extension of resources for industrial outfitting. And, oddly enough, this transformation has been fully sensed by all too few business executives.

To obtain perspective, or background, for a survey of the latter-day evolution of commodity receptacles and commodity protectors, it is desirable first to have a passing glance at the influences which have operated to bring about this particular new deal. Underlying the entire new structure is the modern trend to packaging. The traditions of bulk handling have been discarded, not only in the case of the everyday purchases of the individual consumer but likewise in respect to a goodly share of the raw materials and partially-manufactured goods bought in quantity for further processing. Lumber, for example, is "packaged," nowadays, even if the packaging consists merely in wrapping the ends of dressed lumber. There may be a suspicion that much of the packaging of industrial supplies, whether lubricating oils, or what not, is but an expedient to emphasize brand identification. But, the practice is here, at any rate, and has done its share to make the market for packaging equipment and supplies.

Utility Packages

Given this well nigh universal leaning to packaging, parcelling, bundling—call it what you may—



COURTESY ANCHOR CAP & CLOSURE CORP.

and there came into play, quite logically, two major incentives to the exercise of foresight and judgment in the stocking of materials. One impulse was strictly economic. The other was in deference to current competitive conditions. As for the latter, it was quite natural that with so large a section of the whole business community turning to packaging as a sales factor keen rivalry should develop among marketers to present the most effective packages, packages that present an attractive appearance, packages that adequately protect the contents during transit and in storage. Yes, even packages that bid for consumer acceptance with a bonus in the form of "re-use" or "after-use" following consumption of the original contents, even as purchasing agents for large laundries have been tempted by soap chips packed in sacks convertible into laundry bags.

On the side of straight economy, the spur of deepened discrimination in the purchase of packages, etc., has come of the double obligation of first cost, plus cost of transportation. With requisitions for vastly increased quantities of unit-containers, etc., purchasing agents must of necessity watch material costs closely. But, on top of that, behold the railroad tariffs that penalized certain classes or types of packages at the expense of others. The play of cause and effect in this quarter is well indicated by the rout of the wooden box by the fibre shipping case. Meanwhile,

along has come motor truck transportation and the development by the railroads of the so-called merchandise containers for less-than-carlot shipments—fresh factors calculated to relax the demands of strength and resistance formerly laid upon containers for the more fragile articles of manufacture.

Many New Ideas

Serving this new status of packing and packaging, and possibly sprung from it, has been an impressive exemplification of the play of the American spirit of invention at its best. The past few years have witnessed, under the goad of trade rivalry, the development and improvement of the standard forms of packing and packaging, out of all semblance of former structure. Meanwhile, to add to the merriment, has come a continuous procession of new mediums and new fabrications. As though this were not enough, the emergence of new or modified materials has been accompanied by the perfection of a new generation of weighing and packaging machinery which accomplishes what must pass, even in a mechanical age, for little short of miracles in high-speed, fully automatic operations. The resources of these machines for wrapping, sealing, cartoning, etc., have operated to revise practice in what is known as "internal" packing and packaging, as well as in the outer "dressing" of wholesale units.

What with the wealth of new resources and the free-for-all fight

to reduce the costs of preparing goods for market, the conscientious purchasing agent has his work cut out for him if he be free to make his selections strictly on comparisons of first cost. But, as luck has it, the new era of packaging is coincident with new exactions in protection which put their own peculiar obligations upon many a purchasing department. Trade communities and the general public have lately been educated to new standards of commodity condition in purchases susceptible to deterioration. No longer may the packer rest content with ample protection against physical damage to his wares. By the new cult he must likewise safeguard the color, the keeping quality—yes, the very distinction of flavor, which characterizes the product. In the field of drugs and chemicals, or, better yet, throughout the gamut of food-stuffs, one may visualize the calls made upon the modern package to resist every destructive element.

Protection Is Keynote

The net result of the new ideals in maintenance of commodity condition has been to confront busy purchasing agents with a bewildering array of packing and packaging materials, designed, above all else, for their protective qualifications. The buyer has his choice of mediums pledged to armor his

product against air, moisture, grease, or what not. Coupled with the new compulsion to deliver the smallest retail portion to the most remote consumer in substantially the same condition in which it left the factory, is the demand, passed along to the purchasing agent, that the chosen containers or packages provided for a susceptible commodity shall be provided with "re-seal" facilities which will maintain satisfactory conditions after the package has been opened and while portions are being withdrawn intermittently. Finally, to add to the joy of his job, the purchasing agent with a packing complex, must ever be watchful, out of the corner of his eye, for the ever-changing fashions in packaging. One season the vogue, in a sensitive market, is for small-size, individual, or "introductory" units. The next whim discloses a penchant for what is known as "combination packaging," wherein two or more related or unrelated articles are bundled, in a consolidating container for sale at an inclusive price.

Without slighting the advances which have been made in the spheres of glass and metal containers, it is, perhaps, not too much to say that the loudest bids for the attention of purchasing agents have been made by the new translation of pulp and paper. Of the

several species of these, a conspicuous class is made up of the molded pulp containers. The material, as developed for this use, is a war-time legacy from Germany. First made known in the guise of battery-boxes, etc., it has now graduated into every pattern of commodity container, not forgetting substitutes for steel drums for liquids. Considerations of light weight, low cost, etc., are all in favor of molded pulp, whereas the elasticity or adaptability of the medium is a consideration with shippers of glass bottles and all manner of breakable units that gain in safety in transit when individually nested in molded-to-fit casings.

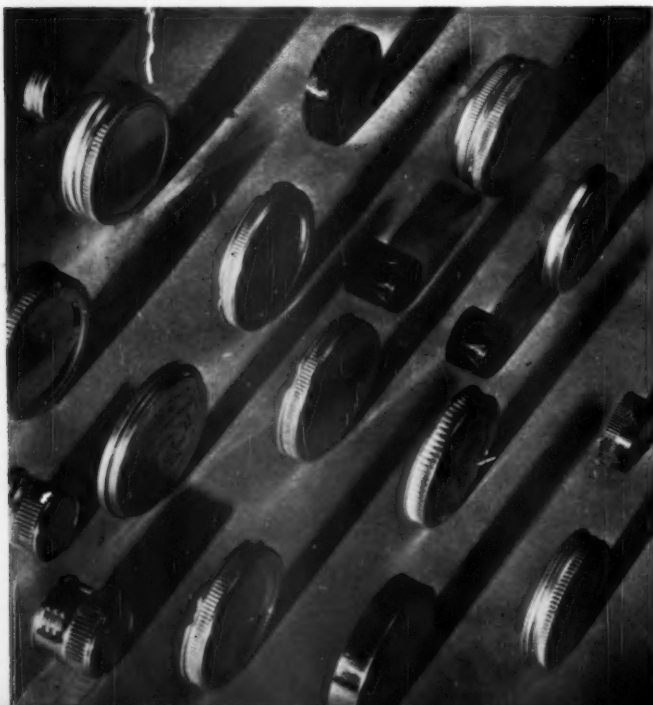
The Fibre Can

Matching in novelty and versatility the molded pulp container is the fibre can and its alternatives. Versions of fibre cans have been evolved for solids, liquids and powders. And this medium contacts the industrial scene at innumerable points, because everything from ammunition to belt dressing is now traveling to market in fibre cans, either spirally or convolutely wound. From the industrial standpoint, the longest single step in the promotion of the fibre can came with the combining of chip-board (or equivalent materials) with asphaltum. Incorporation of the latter element in the side walls of the containers has provided a satisfactory degree of resistance to moisture, whereas utilization of parchment affords a fibre container capable of defying the action of virtually any oil or grease. Liquid and semi-liquid products packed in bulk take a special type of all-fibre can made from manila paraffined inside and out.

Considering its modest beginnings—say in the corner grocery of the gay nineties—the lowly paper bag has risen as far and as fast as any packing or packaging medium. The use of double-layer or triple-layer bags for cement, etc., is a familiar story, eloquent of toughness and ability to stand

Continued on page 34

COURTESY ANCHOR CAP & CLOSURE CORP.



"One of the most impressive spectacles of the changing package market: the in-rush of new candidates for service as closures."

BOOKS YOU SHOULD READ

"A purchasing agent's tools are books and trade papers."

C. G. BUNNELL, Director of Purchases,
Westinghouse Electric & Mfg. Company.

Industrial Purchasing; Howard Thompson Lewis, professor of marketing, Graduate School of Business Administration, Harvard University; cloth, 6½ by 9¼, 536 pages; Prentice-Hall, Inc., New York; \$5.00. (See end of this review for directions in ordering.)

* * *

The first comprehensive and complete work on the science of buying, this book fills admirably a long-felt need for an all-inclusive, up-to-the-minute guide to modern purchasing practices. Volumes have been written on salesmanship and related problems, but comparatively little thought has been given to equipping the purchasing agent with the necessary knowledge to meet the tactics of the seller. *Industrial Purchasing*, written by the country's outstanding authority on the subject with the sponsorship of the National Association of Purchasing Agents should prove of incalculable aid to every executive faced with purchasing problems.

The function of purchasing now is recognized as an indispensable element in scientific control of production and plant management. Planning in the past has been confined chiefly to output, finance and marketing, while purchasing was regarded as a minor function and often relegated to a subordinate who was simply an order placer. Modern thought on the subject places purchasing on a level with other executive functions and stresses the fact that it calls for ability, training and experience of the highest order.

Professor Lewis's work is definite on the point that purchasing is

essentially the complement rather than the reverse of selling. The purchasing agent of today is in no sense a bargain driver. He knows intimately what materials and supplies are needed by his firm, where to procure them, how to determine their quality and by closely watching price trends, when to order them and what to pay.

This volume is full of practical information and useful suggestions which cannot be found anywhere else. It presents for the first time the methods, forms, systems and practices adopted by the country's most successful purchasing men. Whole chapters are devoted to such vital subjects as the Significance of the Purchasing Function, the Problem of Centralization, Purchasing Procedure, Inspection, Control of Quantity and Stores, Sources and the Assurance of Supply, Price Policies and Purchasing Budgets.

Industrial Purchasing may be ordered through George A. Renard, Secretary and Treasurer, National Association of Purchasing Agents, 11 Park Place, New York, and is available to members of the Association at \$3.50. The regular price is \$5.00.

* * *

Methods and Procedure in Federal Purchasing, by R. J. Monteith and A. S. Burack; bound in Buckram, stamped in gold, colored tops, silk headband, 6½ by 9¼ inches; Bruce Humphries, Inc., Boston; \$10.00.

* * *

For many years there has existed a need for correct information and simple instructions on the

subject of selling to the world's largest buyer—the United States Government. It is estimated that federal purchases this year will amount directly, and indirectly through construction projects, to more than one billion dollars. This tremendous sum will be distributed throughout a range of about 100,000 different commercial and technical items, from chewing gum to steam turbines.

Heretofore there has never been a unified source of practical information giving in detail the purchasing methods of all divisions of this vast market and the book should prove of infinite help to every seller who deals with Uncle Sam. The volume is illustrated with photographs, charts and 48 pages of facsimiles of standard government purchase forms. A separate department is given to answering the questions: Who? What? When? Where? and particularly How? and the appendix contains complete lists of federal purchasing agencies including field offices and stores, arranged by departments, types of stores and geographically.

Both the authors are exceptionally well grounded for undertaking a work of this kind, Mr. Monteith formerly having been a member of the Federal Purchasing Board, chairman of its purchase research committee, a member of the Navy Department Specifications Board and a prime mover in the Navy's Central Purchasing Office. Mr. Burack is associated with Mr. Monteith in the maintenance of a special consulting service on U. S. Government selling.

News from the Associations

BERKELEY, CALIF.

More than 250 delegates from all parts of the state attended the annual convention banquet of the California Purchasing Agents Association at Hotel Whitecotton, Berkeley, September 21. Among the speakers were Mayor Edward N. Ament, of Berkeley, and Paul Eliel, director of industrial relations of the Industrial Association of San Francisco.

CHICAGO

The regular monthly meeting of the Chicago Association of Purchasing agents was held October 12 at the Blackstone hotel. Lee J. Bussmann, of the Bussmann Mfg. Co., St. Louis, and a vice president of the National Association, was one of the featured speakers of the evening. Others were George L. Meyers, Stewart-Warner Corp., A. V. Pleasance, Montgomery Ward & Co., and Frederick L. Roberts, Chicago manager of the NRA.

CINCINNATI

C. G. Bunnell, vice president in charge of the sixth district of the NAPA was a special guest at the dinner meeting of the Cincinnati Purchasing Agents Club October 10 at Hotel Gibson. John P. H. Brewster gave a talk on "Inflation."

CONNECTICUT

The September meeting of the Purchasing Agents Association of Connecticut was held at the Mill River Country Club, Stratford, September 24, with Herbert McGill, of the McGill Commodity Service Bureau, as chief speaker of the evening.

DAVENPORT, IOWA

The Tri-City Association of Purchasing Agents, with headquarters

in Davenport, held its regular dinner meeting October 10 at the LeClaire hotel in Moline, Ill. Following the dinner William J. Cronin, secretary of the Tri-City Manufacturers Association gave an address on "The NRA and Its Ramifications." A general discussion of NRA policies and the Consumers Advisory Board brought the meeting to a close.

DENVER

Installation of new officers was the high spot of the September meeting of the Denver Purchasing Agents Association at the Denver Athletic Club. The new officers are: Oscar Watne, Swift & Co., president; George Zenick, Inland Paper Box Co., vice president and I. L. Wightman, formerly with the Dorr Co., secretary and treasurer.

LEHIGH VALLEY

Opening the season with its first meeting at Shankweiler's hotel, Siegersville, Pa., the Lehigh Valley Purchasing Agents Association held an informal discussion of the NRA and its relation to the work of purchasing agents. The next meeting of the group will be October 23 at the Blue Ridge Country Club, near Palmerton, Pa.

MASSACHUSETTS

An old-time New England bean supper was the popular attraction at the invitation outing of the Worcester County Purchasing Agents Club October 7 at Tatnuck Island. P. Clarence Stevens headed the arrangements committee.

MILWAUKEE

Francis McGovern, former governor of Wisconsin, was the chief speaker at the September meeting of the Milwaukee Association of

Purchasing Agents. Mr. McGovern spoke on "The National Recovery Act and Mussolini" and urged his listeners, who represented more than 50 of Milwaukee's largest business and industrial organizations, to buy freely and hasten the return of better times. Sam Wilson, president of the Milwaukee Association, presided at the meeting.

PITTSBURGH

Frederick Vining Fisher, national field coordinator for the NRA, addressed the Purchasing Agents Association of Pittsburgh at the September meeting of the organization in the William Penn hotel. His topic was the "NRA in Relation to the Purchasing Operations of Large Concerns." President R. W. Mackensen of the Pittsburgh Coal Co. conducted the meeting.

RHODE ISLAND

At the recent meeting of Rhode Island Purchasing Agents, in Providence, Philip Moreland, purchasing agent of the Pequot Mills, told of the objection to installation of wide looms in sheeting mills during the period following the Civil war. A sheet with a seam down the middle, made on narrow looms, was considered the right thing in lodging houses, as it was the custom to purchase half a bed for the night and the seam in the middle acted as a sort of boundary, defining the territory purchased.

SPRINGFIELD, MASS.

The regular meeting of the executive committee of the Springfield Association of Purchasing Agents was held October 4 at the Wayside Diner, West Springfield.

W. Lee Costigan was elected general chairman of the Ladies Night meeting in January. The group will meet next on October 19, when Donald Reed, author and lecturer, will speak on "Careful, It's a Racket."

SPRINGFIELD, OHIO

The Springfield chapter, National Association of Purchasing Agents, opened the fall schedule with its September meeting at the Chaney Farms. A discussion of the NRA by Homer W. Ballinger, chairman of the Springfield National Recovery committee featured the session. B. F. Downey was named to act as alternate delegate to the sixth district council meeting in Columbus. The meeting was conducted by Harry L. Martin, president of the Springfield group.

HAMILTON, ONT.

R. N. McCormick, assistant manager of the tariff department of the C.M.A., addressed the first fall meeting of the Hamilton Purchasing Agents Association at the Royal Connaught hotel, Hamilton. President Bernard Yardley presided at the meeting.

MONTREAL, P. Q.

The Purchasing Agents Association of Montreal began its autumn season with a golf tournament, business meeting and dinner at the Islesmere Golf & Country Club, Ste. Dorothee, in mid-September. Eighty-nine members and guests played golf and 112 sat down to dinner.

WINNIPEG, MAN.

Its fourth golf tournament of the season was held late last month by the Purchasing Agents Association of Winnipeg. Weather signs up there must point to a long, hard winter.

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Sixth District Council Meeting

Under the direction of C. G. Bunnell, in charge of purchases for the Westinghouse Electric & Mfg.

Co., East Pittsburgh, Pa., and vice president of the National Association of Purchasing Agents for the sixth district, the annual fall meeting of directors of that district was held September 23 at the Deshler Wallick hotel in Columbus, O.

Walter N. Kirkman, Maryland state purchasing agent and president of the National Association, addressed members of the council, consisting of directors of associations in the principal cities of Ohio and western Pennsylvania. The Columbus Association was present at a luncheon for the delegates. Richard H. Evans, purchasing agent of the Columbus Coated Fabrics Corp., handled arrangements for the meeting.

Directors of the sixth district are: H. H. Krause, National Screw & Mfg. Co., Cleveland; F. V. Dias, Consolidated Coal Corp., Pittsburgh; R. R. Miller, Deming Co., Canton, O.; W. E. Campbell, Frigidaire Corp., Dayton, O.; A. J. Goetz, River Raisin Paper Co., Toledo, O.; J. I. Baker, Safety Grinding Wheel & Machine Co., Springfield, O.; E. G. Hammock, B. F. Goodrich Co., Akron; Harry Fenner, Cincinnati Shaper Co., Cincinnati, and R. H. Evans, Columbus.

Seeks Greater Authority

Ralph B. Layo, purchasing agent of the Philadelphia, Bethlehem & New England railroad, has asked the Interstate Commerce commission for permission to extend his purchasing operations to the Conemaugh & Black Lick railroad, the Cornwall railroad, the Patapasco & Black Rivers railroad, the South Buffalo Railway Co. and the Steelton & Highspire railroad.

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KELSEY TO SCHENLEY

W. W. Kelsey, for many years with the Russell Mfg. Co. as purchasing agent and general sales manager, has been appointed national sales supervisor of the Schenley Distillers Corp., New York.

MEYERS OPENS AGENCY

J. S. Meyers, well known in the purchasing profession for his activities in the National Association, has organized with G. S. McFarland, the McFarland-Meyers Agency, manufacturers' agents for a large territory comprising 33 counties in Ohio with headquarters in Columbus.

Mr. Meyers until this year has been vice president of the National Association of Purchasing Agents, was formerly a regional director of the Association and a past president of the Columbus Association. For 25 years Mr. Meyers was manager of purchases of the Ritter Lumber Co., Columbus.

The new agency will handle engineering specialties exclusively.

Mr. McFarland for many years was chief metallurgist of the Jeffrey Mfg. Co., Columbus, and organized the Columbus chapter of the American Society for Steel Treating.

• • •

OSCHELL IS NAMED

Herman Oschell has been appointed acting purchasing agent of the Ajax Metal Co., Philadelphia, it was announced recently, succeeding Fred C. Tillberg, who resigned in August to organize his own business.

C. Howard Megaw has resigned effective September 30 to become associated with Mr. Tillberg.

• • •

STOCKMAN PROMOTED

Erling B. Stockman, who has been acting purchasing agent of the Consolidated Gas Co. of New York since the death of D. C. Toal in June, has been named purchasing agent, states a recent announcement by Oscar H. Fogg, vice president. Frank H. Walsh has been appointed assistant purchasing agent.

COSTS OF PURCHASING

Continued from page 8

by efficient purchasing become effective only when materials pass into production. If, therefore, the market price of any given material at the time that material passes into production is used as the base, and debits or credits to purchasing cost are made from this standard, a true picture is derived.

Comment:

It is well to recognize that some difficulties may arise in determining the *market price*. Without entering into a discussion of this problem here, it is believed that in most instances it is possible to name a price for any given grade of a particular material on a particular day with sufficient accuracy to serve all practical purposes. A real difficulty does develop where a market price for a finished product is not available as is the case with certain special-order material. One method of procedure would be to estimate a fair market price on the basis of known costs of the materials or parts entering into the item in question and adding an amount to cover administrative, processing, and selling costs. This independent estimate of the fair price could then be compared with the actual price paid. Another procedure might be to disregard entirely, as a part of the purchasing cost, the cost of such items, though not to disregard the cost of obtaining the materials. The latter, however, would be reflected in the *Purchasing Administrative Cost*. Such material is very often bought on a basis of bids and the only method of making any comparison in such cases would be as between bids. Obviously, this would be unfair. Since no comparison with market prices is possible, it is suggested that, on items where no market price exists, the item be disregarded.

A question may also be raised as to whether or not the recommended procedure provides an incentive to speculative buying. Regardless of the method of measuring costs or efficiency, the incentive to speculate is always present. The procedure recommended has advantages over some others. The results of speculative purchasing are distinctly set aside where they can be watched; this is believed to be sound procedure. Thus the Com-

mittee on Elimination of Waste in Industry of the Federated American Engineering Societies has stated:*

"It is therefore recommended:

1. That raw material be charged at current prices.
2. That use be made of a 'material adjustment account' for raw materials.

"If the first recommendation is adopted the advantage from speculative buying is removed. Variations between the actual cost of material and the cost charged at current prices may be adjusted by means of the account named in the second recommendation.

"Into the 'material adjustment account' is charged the difference between the actual and current material costs. This practice is particularly desirable for pig iron, scrap iron, coal, steel products, coke, rubber, lumber, cotton, wool, and other materials of a staple nature. The account so established would exhibit the profit and loss as between the purchase price of material and the price which is charged into the cost. For example, suppose pig iron to be purchased at \$35 a ton and suppose the market later to drop to \$30. The cost records would be charged at this latter rate of \$30 covering the tonnage actually used, and the 'material adjustment account' would be credited with the same figure. A second entry, however, would credit the inventory account, at the actual cost of \$35, for the tonnage so used, with a corresponding charge to the 'material adjustment account,' the difference representing the loss on the material so used. The cost would then be figured on the basis of the normal condition which existed at the time the material was used. The difference would be carried to profit and loss at the end of the year."

There is also a difficulty encountered where the markets are so demoralized as to give no commonly recognized market price. Even un-

*In *Waste in Industry*, McGraw-Hill Book Co., Inc., 1921, pp. 394-395.

†W. H. Carney in *Methods of Measuring the Efficiency of the Purchasing Department*, 1931, p. 14.

der such circumstances there is a nominal price which, while not exact, is sufficiently so to afford a suitable standard for all practical purposes.

The *Cost Materials and Supplies Purchased* obviously will be lowered when purchases are made in sufficient quantities to warrant obtaining a quantity discount. It may be noted that there will be some increase in cost under *Storage and Warehouse Expense* as a result of the purchase of such larger quantities unless the materials move directly into production.

III. Storage and Warehouse Expense.

This would include such items as:

- A. Interest on goods in stores.
- B. Storage expense, including rent, insurance, taxes and labor.
- C. Losses through spoilage, obsolescence, theft, and physical depreciation.
- D. Inspection.

Comment (1):

Several attempts have been made to use *turnover* as a factor in purchasing cost. Turnover, however, is a *rate* rather than an expense. It is an indicator of a condition and not a cost in itself. It is a ratio between stores and purchases and varies normally and justifiably as between various types of industries and even within the same industry. "In general, inventory values should be expressed in terms of ratios to the value of material actually used in production or estimated for use on the basis of plan schedules, if actual differs from the original plan."† This use of turnover as an indicator of a condition is analogous to its use within the field of marketing. Its computation as a figure separate from any actual cost figure is a comparatively simple matter.

Comment (2):

The question may arise as to whether or not this item of *Storage and Warehouse Expense* should be included for those companies whose organization provides for a separation of stores-keeping from purchasing. There is ample reason for so doing, especially since the purchasing and stores departments must work very closely together

even when they are not actually under one head. (A) The "*inventory always should be*, at least indirectly, *under purchasing department control*. The time required for delivery governs the quantities necessary to carry of any material. The quantities which must be bought for price considerations are known to the purchasing department and are either made effective by that department directly or are passed along to the inventory control department as the basis for ordering quantities." (B) The real cost of the *purchasing function*, aside from any question of organization as such "can be measured only by taking the inventory and its carrying charges into account . . . The economy of no single purchase can be judged without considering such carrying charges."

IV. Losses Due to Errors and Delays.

A. There are four types of errors:

1. Those which are largely clerical in their nature and are corrected within the office itself. No particular consideration need be given to the cost of such errors since they would be reflected in the administrative costs mentioned above.

2. Errors which result from returned goods. These may or may not be self-corrective. If the goods are returned at no cost to the buyer whatsoever and with no delays in operations resulting therefrom, no harm is done except an increase in administrative expense. If goods are returned at some expense to the buyer because he has to pay the freight or because the supplier makes a charge for reconditioning the goods or for some other reason fails to give the purchaser full credit, then these costs should be charged against the purchasing department.

3. Goods which are not returned and cannot be used in the plant and therefore have to be resold. In such cases, it is believed that any profit resulting from such sales should not be credited to the department, since the transaction was occasioned by an error on the part of the purchasing department and also because this method of crediting the profit might become an incentive to engage deliberately in such transactions. On the other hand, any loss resulting to the company from these resale transactions

should be charged to the department as at least a partial deterrent to a repetition of the mistake.

4. Materials which can be used in the plant at some additional expense. The cost of this additional expense should be charged against the purchasing department since: (a) it is believed that an adequate system of cost accounting will reveal roughly the amount of the additional expense, and (b) it is not a mistake in the production department.

B. Delays resulting from the failure of materials to arrive on time increase the cost of production and may be due to the inefficiency of the purchasing department. If it be accepted that it is the responsibility of the purchasing department to get materials to the plant on time for their use, then it is difficult to understand how this responsibility can be evaded even though the apparent cause of the late ordering is believed to lie outside the purchasing department. If these delays are due to faulty organization or to lack of courage on the part of the purchasing officer in insisting upon timely requisitioning, these results should be expected to show up in the final cost figures.

The usual difficulties which arise in attempting to measure these delays are due to a hesitancy to charge the purchasing department with a total cost of such losses; yet to charge it with anything less is arbitrary.

The thought here is that, since any adequate system of industrial accounting makes it possible through the use of standard costs

to estimate the cost of a complete or partial shutdown of production departments and since the responsibility is one of the purchasing department, the entire cost be charged to it. If thus set by itself, it would be carefully watched by the purchasing officer and by the management. Although the amount thus charged may at times loom very large in terms of percentage to total annual production costs, it will not be disproportionate to its true significance. It has been pointed out that a delay in delivery is sometimes expensive and at other times costs the plant nothing. The only feasible procedure is to charge *what and when* it costs.

Problem of Scrap

The above four classifications cover, it is believed, the major items of cost. It still remains to give attention to two other activities closely associated with purchasing. The first relates to the sale of *scrap and salvage*. The question may be raised as to whether or not this properly constitutes a function of the purchasing department at all. If it does not, then clearly there is sound reason for segregating it from the other activities of the department. In either case, however, it is an essentially different type of transaction from the others of the department in that it constitutes a sale rather than a purchase.

It may be difficult for many companies to segregate the additional

Woodward-Wright Co. Ltd., New Orleans, keeps an accurate check on 50,000 items with the system shown below.



administrative expense of handling scrap and salvage. When this is the case, the cost of the additional administrative expense item should be disregarded entirely. No great harm is done thereby if the item of scrap and salvage is considered a supplementary item as is here recommended.

Theoretically, perhaps it should be said that if scrap and salvage items are sold at a profit, the purchasing department should be credited with the amount of the profit; while if sold at a loss, an additional charge should accrue. In the case of a good deal of material this is probably possible. In many cases, however, there is no market price with which comparisons can be made. Two methods of procedure suggest themselves. One is to credit the purchasing department with any profits made from the sale of scrap and salvaged items after having given full consideration to the costs resulting from the preparation, classification, etc., of the material. The other alternative is to consider that the disposition of scrap and salvage is not a part of the purchasing function but is performed for other departments or for the company as a service, in which case a brokerage fee might well be charged those departments for which the service is rendered and credited to the purchasing department.

Purchasing Research

The last major item to consider is the matter of *research activities* conducted by the purchasing department. (If not so conducted, the charge made, if any, against the purchasing department for this service should be added.) This again is considered as a supplementary factor for two reasons: one, that all companies do not have a research division attached to the purchasing department, and the other, that the benefits resulting from its activities are practically impossible of measurement. It is believed unwise, therefore, to incorporate it as one of the four major costs of purchasing, although

equally unwise to disregard it entirely. The basis suggested is to count it as a cost additional to the others although segregated from them and with no compensating figure.

In short, the procedure suggested is that *to Purchasing Administrative Costs be added Storage and Warehouse Expense, Cost of Materials and Supplies Purchased* (as explained), *and Losses Due to Errors and Delays. Summarize these four items; credit the department with the profits or brokerage fee resulting from the sale of scrap and salvage; and to the result add the cost of research activities. All these items should be reduced to a percentage of the total production cost* (or of the cost of the materials bought if desired).

This method of procedure avoids one of the major difficulties encountered in trying to determine the efficiency of the purchasing department, namely, the intangible elements such as goodwill, suggestions made, etc. No attempt is made to estimate such values directly and it is believed quite impossible to do so with any degree of accuracy. Such estimates would become of still less value if attempts were made to compare the purchasing departments of various companies with each other. Moreover, in the long run, *contributions of this sort are reflected in the actual cost figures of the department itself.* Therefore, though not segregated, it is believed that they would be included.

The method outlined meets another difficulty inevitably encountered, namely, that arising from the fact that the type of purchasing organization varies between companies. The actual operations performed can be segregated and their costs included or excluded as seems necessary for other reasons.

It will also be noted that this procedure does not provide any incentive for a purchasing organiza-

tion to reduce its costs through overbuying, purchasing poor materials, or patronizing unsatisfactory suppliers. The apparent gains derived from such a policy would not be credited to the department under *Cost of Materials and Supplies Purchased*, nor would they enter in any way as a part of the base upon which the percentage figures would be computed. On the other hand, there would probably be additions to *Storage and Warehouse Expense* and to *Losses Due to Errors and Delays* which would more than compensate for any nominal savings.

Provides Cost Gauge

Finally, as was indicated earlier, this proposal is not urged as a measure of purchasing efficiency. What the standard does do is to provide a definite figure, clearly understandable, involving few arbitrary estimates, and it is sufficiently elastic to provide for the addition or subtraction of activities to make it accord with individual situations. *This figure must be interpreted.* If a company has a high purchasing cost figure as compared with other companies, it does not follow that this cost is *disproportionately* high. It merely means that the figure is open to question and that an explanation is called for. The breakdown of the total figure into its component parts makes it possible to get at the points at which expense is high. The explanation may be thoroughly satisfactory, but whether it is or not the company knows exactly where it stands and is therefore in a position to correct or modify its procedure, practices, or policies as it sees fit. This is all that any cost figure can do.

I believe it is time that the National Association took a positive step in the direction of furthering the attempt to measure purchasing costs. A small committee of two or three persons could be set up to review some such classification as has been suggested here, in the light of their individual types of

organization and of their own experience and independent judgment. Some classification could thus be tentatively worked out. It could then be submitted to a larger group for further criticism and comment.

Revision in the light of these suggestions would probably be made. The revised classification could then be tested out in certain representative plants and any further changes which seemed desirable could be made. The result would be a standard classification of purchasing costs. Work could then be inaugurated looking toward the collection of a substantial mass of data, now recognized as highly desirable but nonexistent.

Photographs illustrating this article courtesy of Remington Rand Inc.

HITS PROFITEERING

Definite action is to be taken by the National Recovery Administration to curb profiteering by certain industries now operating under codes of fair competition, dispatches from Washington reveal.

As a result of complaints by retailers that manufacturers of specialized products in which competition is limited have boosted prices out of all proportion to increased costs under their codes, public hearings are to be ordered at once. The hearings are to be conducted by Deputy Administrator A. D. Whiteside who is now preparing notices requiring a number of manufacturers to justify publicly their price advances.

Among the complaints by retailers, who are to be invited to testify during the hearings, is the charge that certain manufacturers, in anticipation of the approval of permanent codes, built up huge stocks of merchandise which they are now forcing on the retailers at exorbitant prices with the explanation that increased costs under the codes are responsible.

In a specific case it is asserted that one manufacturer increased the price of his product 175 per cent within a few hours after the code for his industry was approved.

DEATHS

CHARLES J. MARSH, 70 years old, general purchasing agent of the General Cable Corp., New York, died September 25 at his home in Upper Montclair, N. J. He had been in poor health for nearly a year.

Mr. Marsh was a former president of the New York Metal Exchange and was vice president of the Underground Cable Co. until its consolidation with General Cable. Early in his career he was affiliated with the Westinghouse Electric & Mfg. Co., East Pittsburgh, Pa.

As purchasing agent for General Cable he is said to have bought more copper than any other one man in the world.

WALTER A. COBURN, 45 years old, purchasing agent for the Southern California Telephone Co., Los Angeles, died recently of a heart attack at his home in that city.

JOHN A. DYER, 65 years old, for many years purchasing agent of the James Phelan Shoe Co., Lynn, Mass., died recently at his home in Boston after a short illness. Since 1920 Mr. Dyer had conducted his own shoe manufacturing business in Everett, Mass.

OLIN D. DICKERMAN, 56 years old, vice president and purchasing agent of the Dwinnell-Wright Co., Boston, died September 18 at his home in Newton Center, Mass., after an illness of only eight days. He had been connected with the Dwinnell-Wright company for more than 40 years.

C. C. NASH, Chicago coal merchant and formerly purchasing agent of the Chicago & Western Indiana railroad, died October 5 at the home of his son, C. C. Nash, Jr., in Orangeburg, N. Y. He was 75 years old and had been ill for about six months.

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CODES, CONFUSION and COMEDY



WITH codes of fair competition being submitted right and left by the Shipping Industry, the Banking Industry, the Structural Steel Fabricators right on down to the Buttonhole Industry, the Hearse and Livery Industry and the Manufacturers of Men's and Boys' Pajamas and Nightshirts Industry, it is small wonder that some of our good citizens are becoming slightly confused about the whole thing.

The letter below, allegedly received by George M. Carleton of the *Cleveland Weekly*, and appearing in a recent issue of that excellent journal, depicts with graphic clarity the good natured confusion surrounding the hypothetical meeting of an imaginary industry on its code of fair competition.

SIR: It all started about two weeks ago. Our association, the National Gravy-colored Cravat Mfgs., was gathered at a downtown hotel to consider our code, eat fried chicken and Neapolitan ice cream and hear the Hon. Moley V. Tugwell speak on "the New Deal and Such Aspects as Inflation, Reflation, Deflation, the Farm Program, Cuba, Repeal and the Nourmahal."

I got there early and went right up to old Carson's room and had a drink before the saloons came back. An hour later Carson and I went to the dinner and then we went back to his room. And then we went back to the dinner. And so on.

Finally the Hon. Tugwell V. Keenan began to speak and it certainly was an illuminating speech even though I voted for Al Hoover.

"My friends," he said, "the farmer must be saved if we are to endure as a nation. He must be reflatated. That is what our government is now doing. For 30 hours a week great armies of forestry lads are going through the country with bicycle pumps reflatating every three farmers and ploughing under every fourth one. This must not be confused with inflation. Anyone can see that if you inflated a farmer he would bust. Reflating him gets him just right to buy sugar in Cuba and your gravy-colored neckties!"

At this point the band broke out with "Pack up your troubles in your ol' kit bag and smile."

Then the Hon. Hulwell V. Toley continued, "But no nation can continue half-ploughed under, half-reflated and half-cocked. That

makes three halves or what is known as inflation. We must guard against that. Consequently there is need for stern legislation to prevent saloon after repeal or there will be repeal after the saloon!"

The band again played "Pack up your troubles."

"So," said W. Averill Hully, "we propose to reflate every third dairy lunch and plough under the fourth. The owner of the fourth will be enrolled in a great army of gravy-colored cravat wearers to reflate your own industry."

More "Pack up your troubles!"

"But," continued the Hon. Taussig V. Molehill, "there must be no chiseling or attempting to benefit the few at the cost of the many. No cravat manufacturer should tie more than 40 knots an hour without demanding sound credit from his banker until after the latter has been ploughed under, kit bag and all. I will now take subscriptions for our new weekly magazine to be called 'Today, Just Today.'"

The next thing I knew I was lying in this bed and a nurse was putting cold cloths on my head. And they won't let me out and I can't pack up my troubles because the conservator has impounded my old kit bag. Please advise.

—Veteran Manufacturer

• • •

Sefton Announces Changes

The Sefton National Fibre Can Co., St. Louis, announces its New York representative now is the Winkson Co., Inc., 421 Postum building, 250 Park avenue. Plans also are being completed for the opening of branch offices in Boston and Philadelphia, to be operated under the supervision of the New York office.

The company's sales representative in the Cleveland district recently was changed to the R. L. Brammer Co., 316 Union building, 1836 Euclid avenue.

PERSONALITY

FROM the athletic field to the purchasing staff of a large eastern manufacturer is both a long step and a rare one, but it is a completely logical step in the case of G. W. Howard Ahl, lately a member of the All-America track team, holder of several international records and now one of the purchasing executives of the Columbia Ribbon & Carbon Mfg. Co. Inc., Glen Cove, N. Y.

Howard Ahl comes by his athletic prowess naturally, his father having been a high diving champion of international reputation, but his purchasing career is purely a matter of preference—he started out to be an architect.

Born in New York 24 years ago Howard Ahl early decided on an architectural career and to that end enrolled, at the completion of his high school course, first in the Pratt Institute of Fine Arts and then the school of architecture of New York University. During his first year of college he became associated with the firm of Crow, Lewis & Wick, architects—widely known designers of hospitals.

The next five years were devoted to intensive training under the personal tutelage of Herman Wick, at the end of which time young Mr. Ahl was fully competent to handle any hospital project from start to finish. He then journeyed to Europe with the idea of opening an office in Sweden, but the economic situation there and in Europe generally brought a change of heart and he returned to New York to handle the purchasing for a number of building contractors. Shortly after he was called back to Crow, Lewis & Wick where he remained until the dissolution of the firm.

An opening in the purchasing department of Columbia Ribbon & Carbon brought him post-haste to Glen Cove and Howard Ahl now is getting a new and interesting slant on what he enthusiastically calls "the grand and glorious game of purchasing."

PURCHASING ECONOMICS

Continued from page 6

cash at the earliest possible moment. The depositors are our best money circulators. Some congressmen are threatening to tax flight money. Even if their plans materialize, it does not seem possible that it will ease the circulation problem very much. If this flight money went to Europe out of fear, it will still be hoarded when brought back into this country until a greater degree of national confidence is universally enjoyed.

Through the facilities of the NRA the government has attempted to release a part of the increased cash reserves of corporations by demanding higher wages, thus re-circulating a part of these reserves through purchasing channels. As a matter of actual fact, minimum wages under the NRA have been so defined and loosely arrived at that the effect upon built up cash reserves for circulatory purposes has been negligible.

Some insist that the best remedy for increasing actual money in circulation is by inflating the present amount of money in circulation through currency expansion. This plan would simply mean exchang-

ing dollars or values on the present top-heavy rates, while labor would carry the load. Commodity and other prices would advance in keeping with the cheaper dollar, while increased wages would lag far behind. The best that can be said of this plan from an economic standpoint is that it would create immediate activity. This activity, however, would be followed by an extremely dangerous day of judgment at which time adjustments would have to be made, which could much easier be made now.

Money Inflation Unlikely

President Roosevelt is considered to be a sound money man. A few weeks ago it was a good bet that we would have currency inflation; it is a better bet now that we will not. And so, let us proceed on the basis that we will have sane business adjustments rather than currency inflation. We must therefore face the situation of a progressive public buying power, which will be slow in gaining momentum.

The executive purchaser in these days of timed corporate activity

J. H. Douglas (left), assistant secretary of the treasury, Secretary Woodin and A. W. Hall, chief of the engraving bureau, get their hands on some money.



ACME PHOTO

must take his place at the council table and insist upon merchandising schedules in keeping with buying power, production schedules in keeping with merchandising schedules, and purchasing schedules in keeping with production schedules. In the future the purchaser will be the double check to keep production and merchandising properly timed.

The day of our best bargain purchasing is temporarily behind us. Economic history has shown that business actually moves in cycles. We are on the threshold now of a fundamental, intermediate cycle toward increased prices. This intermediate cycle will probably take us through the winter, and so we do have a period immediately ahead in which the executive purchaser may advantageously go into his buying markets.

Many commodities have reached their low level and are now due to participate in this intermediate upswing. Some of the most important in this group are copper, petroleum, rubber, steel and wheat. Many other commodities, however, have not as yet reached their low levels, in my opinion, and the executive purchaser would be wise to give careful study and analysis to the individual conditions prevailing in each commodity market. He must consider our national stocks-on-hand, our present rate of production, and our present rate of consumption.

In addition to these important points, he must also consider the effect of government influence and the controllability of production of the commodity in question. In these remaining bargain markets you can profitably purchase ahead for your reasonable future requirements.

Production Structures

Capital purchases, other than necessary replacements of equipment, present an entirely different problem. Considering that our future production expansion will be met by shift increase, capital production purchases should be

frowned upon. Going a step further, production structures now overbuilt may very well be overhauled and readjusted to meet a new normal one-shift capacity. If there are losses to be taken on the retrenchment, they may better be taken now than allowed to run along into unknown future hazards. Excess equipment may be used to help finance the efficient reconditioning of your adjusted production unit.

Watch the release of frozen cash into channels of buying circulation. This release will have much effect on your commodity markets and on your merchandising schedules. It must be considered, however, that



Rotary presses turn out new bills
12 at a time.

the money first released will be spent in the market of actual necessities, followed by desired necessities and then it will flow into the markets of capital goods.

You, as an executive purchaser, are confronted with the problem of individual study of each separate item of raw materials, or each separate commodity. First, from the viewpoint of advantageous price which will guide you in buying ahead for future requirements; and second, for the immediate salability of your purchases.

In the future you unquestionably will have placed before you the proposition of capital structure expansion to meet increased production as the intermediate upswing gets underway. It is your executive function and responsibility to urge that your capital structure be retained on the basis of a normal one-shift plan until the eventful day when a three-shift

production capacity is overtaxed. Even then, capital structure expansion should be made with the utmost caution.

By keeping your production capital structure compact and efficient, the questions of fluctuations in this structure will be practically eliminated. Your purchasing power may be used with full force when the normal strength of public demand has been reached. With your first shift carrying your production unit, each additional shift will show extremely favorable net returns.

PURCHASERS' LIBRARY

Accounting, Theory and Practice of: Bell, two vols., 532 pages; cloth, \$3.00. A thorough treatment of the uses of modern accounting methods in present-day business.

Air Brakes: Ludy, 223 pages, 160m illustrations; cloth, \$2.00. Presents in clearly understandable form the secrets behind modern air brakes for steam and electric railroads, street and interurban railways.

Auditing: Graham, 221 pages; cloth, \$2.00. An unusually thorough book written by a well known authority on the subject. Prepared in a clear and interesting manner.

Aviation Engines: Kuns, 204 pages, 100 illustrations; cloth, \$2.00. Deals with the latest developments in airplane motors. Excellently illustrated.

Blueprint Reading for the Machine Trades: Fortman-McKinney, 154 pages, 89 illustrations; cloth, \$1.50. An exceptionally clearly written book on this very important subject.

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THE EXECUTIVE PURCHASER.

CONSUMERS BOARD REPORT

Continued from page 13

business going again. As General Johnson has said:

"I think the first emphasis should be put on purchasing power rather than on profit, because we think that is the quickest way to profit."

Protection for the Consumer

Reasonable prices, then, are the tonic to stimulate large volume of sales; runaway prices are a poison to kill trade. If industries greedily gulp over-doses of the tonic, convalescent business will have a relapse.

Authority to act against profiteering appears in two Presidential statements, the first one admonitory to business, the second forecasting legal sanctions. The first reads:

"The aim of this whole effort is to restore our rich domestic market by raising its vast consuming capacity. If we now inflate prices as fast and as far as we increase wages, the whole project will be set at naught. We cannot hope for the full effect of this plan unless, in these first critical months, and, even at the expense of full initial profits, we defer price increases as long as possible . . . the pent-up demand of this people is very great, and if we can release it on so broad a front, we need not fear a lagging recovery; there is greater danger of too much feverish speed."

The legal authority against undue price lifting rests on the president's statement that:

"Antitrust laws still stand firmly against monopolies that restrain trade, and price-fixing which allows inordinate profits or unfairly high prices . . . there will be full protection for the consumer. The codes should recognize the interest of the public in the matter of prices."

Under the NRA the agency to advise the Administrator when consumer rights are at issue is the Consumers Advisory Board. Its charter is worded as follows:

"A Consumers Advisory Board will be responsible that the interest of the consuming public will be represented, and every reasonable opportunity will be given to any

group or class who may be affected directly or indirectly to present their views."

The Advisory Boards

The three great economic groups—workers, employers and consumers—are each represented by Advisory Boards. Each has high stakes in a national recovery; yet, in working together to that end, each is recognized as having its special interest which should be advanced with vigor. Thus the Labor Advisory Board has sought and gained wage working hours concessions from industry; the Industrial Advisory Board has frequently gained increased freedom from restrictions on joint action in marketing.

The function of the Consumers Advisory Board is to see that attainment of a balance between industry and labor does not involve

hardship to the buying public. Its first concern is to protest against any suggestions which, in its judgment, tend to boost prices unfairly, subsidize monopolies, or lower the quality standards of goods.

These challenges to proposed code provisions are not made by the Consumers Advisory Board as adversary of either labor or industry, but solely from conviction that no gains can be permanently held if the consumer is hurt in the process.

The Codes

The process of drawing up a Basic Code of Fair Competition requires a preliminary hearing before a Deputy Administrator, who represents the National Recovery Administrator, and a public hearing at a later date. Any trade association, industry, labor, or consumer group may submit suggestions; in fact, the initiative is expected to come from these groups.

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CODE FOR PURCHASERS

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a degree which attracted the attention of his superiors or he may have especially prepared himself, as an increasingly large number of young men are now doing, through purchase training before entering the field of business. Whatever the reason may be, there will come a time when mediocrity will be his lot unless he reads and studies and listens and thinks, with the definite purpose in view of advancement within his profession. No man can be certain that faithful performance and attention to detail will in themselves keep him progressively in step with the times.

These prerogatives I have mentioned, commonplace as they may seem, must be asserted and, with it all, a measure of independence if he would attain leadership. More power is required to haul a load over a rough road than over a smooth one and, no doubt, more skill is needed to negotiate it.

Did you ever observe from a vantage point an express train as it

speeds through the countryside, then it nears the station but with its visible momentum apparently little diminished. You wonder how it can possibly come to a halt in so short a distance and at the exact place. Control is the secret, for the engineer can do with this tremendous power as he will. It's magnificent! It arrests your attention and grips your imagination! Mastery of a task means control and control is seldom more impressive than in the smooth and successful functioning of our modern business machine. The road may be rough in places and mastery all the more difficult, but what of it? The reward is commensurate with the skill and perseverance which is demanded.

Let us take a birdseye view of our jobs, reduce many of the things which seem so formidable to the simplest terms, sort out the rubbish and remember always that today may be our day of opportunity.

CONSUMERS BOARD REPORT

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When agreement is reached on the draft of a code, it is presented to the president, and, if approved by him, it becomes binding on the entire industry whether or not all firms in it affix their signatures.

To these code hearings the Consumers Advisory Board sends its representative to hear the various proposals and to object if they threaten consumer interests.

To aid its representatives in their work the Consumers Advisory Board has furnished to its special advisors a statement of its policies. Some of these policies are outlined below.

Price Fixing

In some so-called "natural resource" industries, consumers' long run interests have been poorly protected by entrusting prices to determination by cutthroat warfare. There is a strong case for limiting competitive price determination in these industries. But whenever there is a major elimination of competitive safeguards for the consumer, it should be absolutely subject to one condition—that there be established adequate public regulation for the industry concerned.

As an approach to adequate public regulation, the board has in mind provisions for full and continuous access to records of prices, costs and production by public representatives; and a code mandate to these public representatives to report publicly to the president any fixation of prices which they find to be unreasonable.

There is a widespread feeling, both outside and within the NRA, that the Recovery Act should be used for experiments with variants of price adjustment falling between competition as practiced in the past and something closely akin to public utility regulation. The board's advisors are asked to be open-minded in dealing with such proposals, to make the most careful study possible of the peculiarities of the industry to which they apply, and in gauging them, to give

great weight to their potentialities in generating greater consumption and output. It is more important now to get goods produced and consumed than to insist upon minor details of procedure. But wherever it is proposed to increase private power to control prices the board insists that the grant of power be accompanied by a grant of public control competent to cope with this greater power.

Selling below Cost

Since they are interested in national recovery, consumers do not profit by cutthroat price wars. The Consumers Advisory Board shares the aim of industry to prohibit such practices. However, it distrusts price-fixing as an ostensible means to this end. The prohibition of sales below cost, though less objectionable, involves such great technical difficulties that the board prefers that the specific cutthroat practice prevalent in each industry be defined and forbidden. When cost accounting systems are provided as a basis for price regulation, the board insists that they be gradually developed, subject to review by the administration, and that they be carefully scrutinized for hidden elements of monopoly and for efforts to support the idle equipment of plants operating below capacity.

The board contends that minimum selling prices should not be based on the average cost to the entire industry, since this would protect the inefficient producer against the efficient, and would guarantee excessive profits to the efficient. Such tendencies are decidedly contrary to consumers' interests, and we believe that codes which prohibit sales below cost of production should define cost specifically in terms of cost to the individual concern.

Consumer Representation on the Code Authorities

Once a code is approved by the president, an authority to admin-

ister it comes into being. Proper protection to the consumer obviously demands public representation on the authority, independent of both the labor and the industrial groups there represented. The Consumers Advisory Board not only asks that public participation be guaranteed in future code administrations but also seeks to have approved codes amended to include it.

Open Price Schedules

It has been the practice in certain industries to publish and exchange their price schedules as of a past date. The Consumers Advisory Board favors public reports, but objects to such detailed reports that members of the industry may identify and threaten those who will not join a price-fixing plan. Proposals that schedules of future prices be also reported are opposed because they may be opening wedges for price agreement among competitors.

Should such reporting of future prices be permitted in codes, the board holds that the time interval between the filing of the schedule and its effective date should be as short as possible, never more than five days, and that schedules once filed should not be subject to suspension or veto lest a competitor force a concern to retain its price schedules pending a hearing on the case. The board also holds that fair competitive practice will be served by a rule that future price schedules be mailed to all large buyers and other interested persons, or be published by the code authority.

Against Pyramided Profits

A careful check upon price increase is necessitated by the danger that unreasonable mark-ups will be added to a product at every stage of its progress from factory to the last buyer. The manufacturer who has complied with NRA wage raising agreements has right to recoup his extra labor cost in marketing his goods. So, too, have the distributors of the product. If each

handler, however, attempts to make his increased costs an excuse for excessive price increases, the final price to the consumer will endanger the recovery program.

Quality Standards

Manufacturers must not be allowed to disguise price increases by asking the same amount for goods whose quality standards have been lowered. Competition for sales in a rising market tends to put a premium on this shoddy practice, and code safeguards should be thrown up against unscrupulous manufacturers who may resort to it. Accordingly, the Consumers Advisory Board has instructed its representatives to challenge at the hearings any code which does not specifically:

- (1) prohibit as an unfair trade practice false marketing, branding, advertising, etc., which has a tendency to mislead prospective buyers as to grade, quality, quantity, substance, nature, origin, size, finish or preparation of any product;
- (2) provide either for the use of standard size container and of

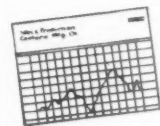
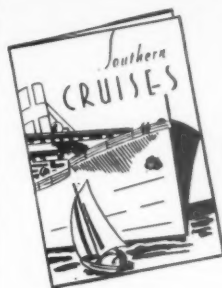
Continued on page 32

NEW ADVISOR

National Recovery Administrator Hugh S. Johnson announces the appointment of Paul H. Douglas, Professor of Economics at the University of Chicago, as a member of the Consumers Advisory Board of the NRA.

Mr. Douglas is widely known for his published studies of wages as they relate to living costs, and for his analyses of unemployment problems. He has acted as technical advisor for the Emergency Fleet Corporation, the Pennsylvania Committee on Unemployment and the New York Committee on the Stability of Incomes.

In addition to Dr. Douglas, the membership of the Consumers Advisory Board has recently been expanded to include the following nationally known economists: Charles A. Beard, Walton Hale Hamilton, Gardiner Means, and George W. Stocking.



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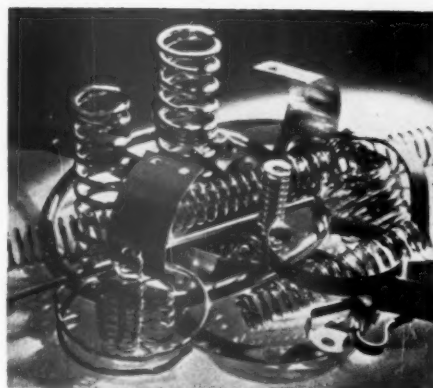
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FOR SERVICE

Phosphor Bronze

CONSUMERS BOARD REPORT

Continued from page 31

quality standards in the marketing, branding, etc., if such standards are now in existence and recognized as adequate, or for the development of such standards in co-operation with the Bureau of Standards, and their use before a date to be specified in the code.

A representative of the Bureau of Standards devotes his full time to the work of the Consumers Advisory Board in this connection.

In addition to this code work, the board has undertaken a project to promote better commodity standards. To this end it has set up a special committee, representing the board itself, the Bureau of Standards, the Bureau of Home Economics of the Department of Agriculture, the American Bureau of Home Economics, and the Consumers Counsel of the Agricultural Adjustment Administration. The aims of this committee are:

- (1) to study the adequacy of existing standards,
- (2) to make a survey of Governmental and industrial standard-setting agencies,
- (3) to formulate a policy on the place of the Government in regulating consumer standards.

Protection of Cooperatives

The savings made to consumers through cooperative marketing societies, particularly in rural sections, have helped their members greatly during the past few years of low purchasing power, and have thus lent a stabilizing effect which merits commendation. The Consumers Advisory Board has already taken the stand that codes must not contain clauses which seek to deprive the cooperatives of existence.

Fair Practice and Fair Prices

The words "fair competition," appearing in the legal title of all codes, refer to the resolution of every industry to play the game squarely among its members and

to prohibit minorities from practices which in the past have upset stability. In the nature of the case, no affirmative statements appear in the codes requiring industry to be fair to consumers. That is implied, yet in the preparation to date of nearly 1,000 codes within the space of a few months it is possible that some codes may prove inadequate in practice to give the consumer full protection. In observing the practical effects of the codes, the board reckons fair prices and known quality as the yardsticks by which the consumer interest may be measured.

In its pre-code work, and in its continuing check on code operations, the board is being greatly assisted by the Federal Trade Commission, particularly in making decisions on what constitutes unfair methods of competition.

In the checking of the fairness of prices, the board has the cooperation of the Central Statistical Board, the Planning and Research Division of NRA, and other agencies. The Bureau of Labor Statistics and the Department of Agriculture are helping the board to prepare cost of living and wage schedules.

What it cost a man to support his family and what his pay envelope contains—these are gauges to show whether prices are running away from the consumer's ability to pay. The board is preparing data by which it hopes to check the reasonableness of complaints about high prices.

Complaints, however, may be based on ignorance of fundamental conditions. The interplay of economic factors are difficult of comprehension for most consumers, expert as they may be in the conduct of their own affairs. To such the board will attempt to explain the conditions surrounding price rises. Those complaints which are well-founded and factual will be made the subject of study and pos-

sible recommendations to the Recovery Administrator.

In every phase of its work—pre-code, code administration and consumer education—the Consumers Advisory Board is motivated by the conviction that the full effectiveness of the recovery program depends largely on the concerted effort of industry to give consumers the fairest prices and the best quality possible.

• • •

NEW PORTFOLIO

A new and attractive portfolio has just been issued by the Parsons Paper Co., Holyoke, Mass. The booklet is arranged for easy and ready reference and is complete in every respect. It should prove of value to those whose problems include grades and quality of paper. Samples of the company's Falcon Bond, 25 per cent rag content paper are included.

• • •

BROWN PAPER'S CATALOG

The L. L. Brown Paper Co., Adams, Mass., who for almost a century has manufactured ledger, linen and bond papers, has published a highly instructive and fully illustrated book showing in detail the manufacture of various grades of fine paper. Illustrations include microscopic analyses of rag and pulp papers and the results of numerous tests used to establish quality.

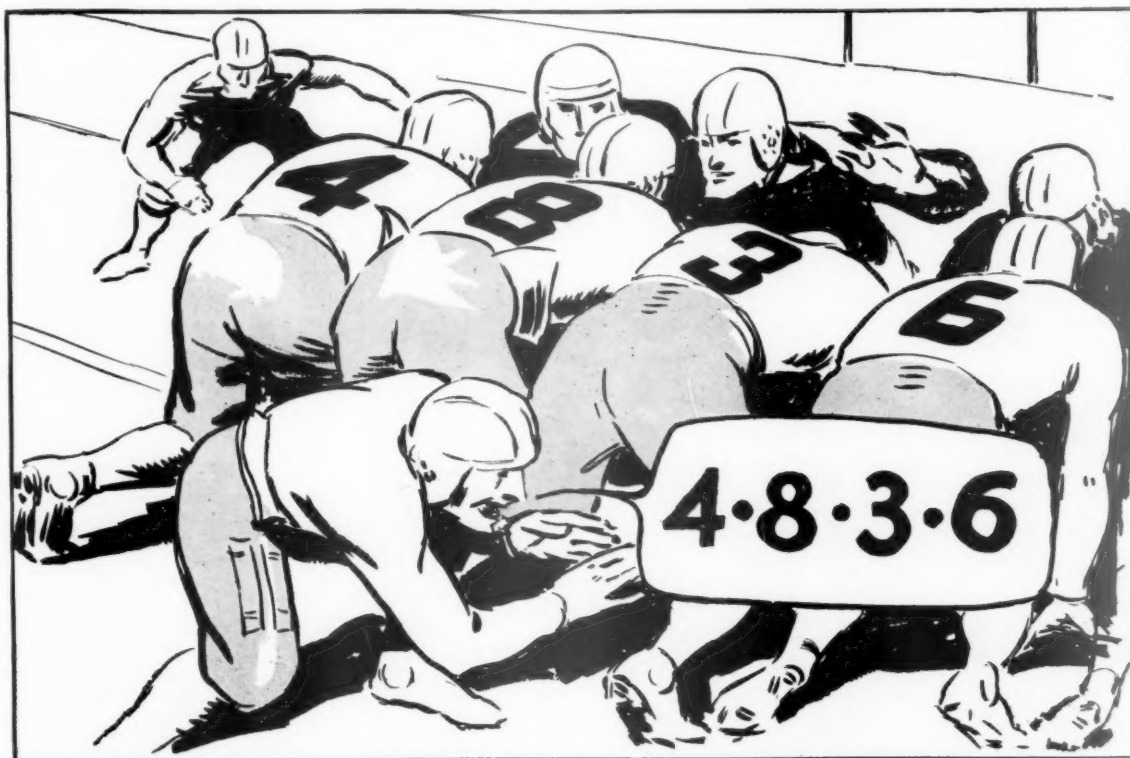
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ATT: PURCHASING AGENTS

The fraternity of traveling salesmen, states an Associated Press dispatch from Washington, has a bone to pick. And they have gone right to General Johnson for help with the picking.

It seems their grievance lies with purchasing agents. Too much time is being consumed, they say, in the pleasant and congenial but painfully non-lucrative pastime of bench-warming. They want a code; and they want a clause in it requiring purchasing agents to keep their appointments right on the dot.

The signal for clean carbon work



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Please send me *free* (and without obligation)
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CITY EFFECTS SAVINGS

CENTRALIZED purchasing has again demonstrated savings effected through the application of this principle of municipal buying. This is evidenced by the report of the City of Milwaukee Purchasing Board and department which during the past year expended approximately four million dollars which represented a saving of over \$600,000. The centralization of purchases not only facilitated the obtaining of cash discounts which during the past year amounted to \$47,864, but also by coordinating the requirements of various city departments, boards and commissions brought about lower unit prices. The following explains how these savings are brought about.

Purchases were made in the proper quantities in order that carload rates and special rates pertaining to large purchases could be obtained. For example, the larger the number of electric lamp bulbs contracted for, the greater the discount. The same is true in

the purchase of fuel, denatured alcohol, shovels, asphalt, stone, sand and gravel, etc.

Articles have been standardized thereby reducing a great number of kinds to a few. These articles have then been purchased in wholesale lots, carefully inspected for quality, and stored at the municipal storehouse for deliveries to using departments.

The centralization of purchases has also provided the means for the preparation of specifications so that better material will be furnished. It has reduced sales expense owing to the fact that salesmen call at one place instead of many offices and has centralized the responsibility in one board and department thereby eliminating favoritism and resulting in getting a dollar in value for every dollar spent.

The gasoline division distributed close to one million gallons of gasoline, oil and kerosene at an average saving of four cents per gallon on the gasoline and twelve cents on the

motor oil. This is purchased in carload lots, stored in 250,000 gallon storage tanks and distributed with two trucks. Only two men are employed in the entire division. The multigraph division, operated with one man, effected a saving of approximately twenty percent. The storehouse stock of \$18,000 worth of items commonly used by city departments was turned over approximately four times. Deliveries are made three times per week with one truck. There are only two men employed in this division.

Much equipment which became obsolete in certain city departments was transferred to other departments for their use while equipment which was worn out and scrapped was sold on advertised bids. The total sales of junk amounted to \$4,335.

The chief advantage in centralized purchasing from the vendors' viewpoint is his opportunity to bid and receive consideration on all city business in which he is interested. Approximately 10,900 bidders were solicited for bids and 5,000 bids were received during the past year.

New Developments in Packaging

Continued from page 18

punishment, but this is but one aspect of the almost countless varieties of special employment now delegated to multi-wall, lined, or valve bags. The insulation properties of the paper bag received a big boost with its adoption for dry ice. Purchasing agents, who have contacted the scheme, have endorsed the latter-day use of paper bags as quickly accessible containers for machine parts at assembly plants, service stations, etc. Fitted with a tin-tie which permits repeated opening and sealing, the parts bag is in mounting use by typewriter, vacuum cleaner and electrical equipment manufacturers as well as by the automobile trade. On the other hand, the lapping and gluing process has been developed to the point where it affords

an air-tight paper bag when the demand is for a closure more im-

pervious than is afforded by either sewing or folding and taping.

*Utility glassware—
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purpose fulfilled,
this type of
container is
designed to
be of further
use as drinking
glass, jelly glass,
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Transparent Wrapping

If the modern packaging invasion is to be tested in terms of its conquests, the palm will undoubtedly go to the populous new generation of transparent and semi-transparent wrapping materials—the modern successors of the former limited category of thin gelatin sheetings. The viscose type which ushered in the current era of completely transparent wrappings has now been called upon to share the field with the cellulose acetate type which is waterproof, oilproof and greaseproof; is unaffected by atmospheric conditions and can defy insects and mold. The rivalry has resulted in a variety of combinations—say cellulose nitrate on gelatin sheeting—designed to capture all possible resistant properties at minimum expense. No one group of mediums has had a monopoly of the business created by the stampede to individual wrappings for articles of commerce. Thus the most widely exploited cellulose products are challenged, on the score of price and otherwise, by glassine papers, waxed paper, and vegetable parchment, all of which have their advantages for specific uses.

A duel which every purchasing agent has watched from the side lines as an interested, if not deeply concerned bystander, is the contest between the wooden box and the fibre container. Whatever the ultimate outcome, for the end is not yet, the intermediate result has been to provide purchasing departments with enlarged resources in both of these general classes of containers, with attendant savings in freight bills. Thus the plywood box has been developed to a high plane of specialized usefulness and economy, whereas the wire bound box is claiming a larger place in the sun, thanks in no small part to the ingenuity of the manufacturers of binding materials.

Color Being Introduced

That suppliers of fibre containers, embracing both corru-



The newest wrinkle in metallic tubes.

gated and solid fibre cases, are not content to rest on their oars is attested by the number of patented "improvements" in construction that continually troop over the horizon. Two assets for the whole group have been gained at comparatively recent date. One is the injection of color in the shipping case—a valuable aid to identification of the origin or ownership of contents. The other is the recourse to metal strapping as an alternative for gummed tape for sealing fibre containers. Or better say, as a reinforcement, since the containers are usually sealed with adhesive or tape, or both, before strapping is applied. The new set-up affords an added measure of insurance for solid, firm, weighty commodities.

In the field of glass containers and packers' glassware, so-called, there has set in a double-barreled trend which is directing the majority of the new buys into one of two channels. On the one hand we have the drift to the utilitarian, or, more especially a deepened deference to elements of "convenience." This spirit is expressed in the redesign of any number of conventional bottles, jars and other receptacles to accomplish such ends as the provision of broader bases or wider mouths or better accommodation to conditions of storage. Another new influence which is dic-

tating the direction of development in the glass container field flows from the comparatively recent discovery of the powers of colored glass (notably glass of green hue) to resist deterioration of sundry commodities, particularly food preparations.

Side by side with this stressing of the practical and utilitarian considerations in glass package design there is at work an impulse in many quarters to cultivate beauty in the glass package form. This nursing of the artistic is born, frankly, of selfish considerations. It has been discovered that in many lines of trade—cosmetics and toilet goods, for one success in retail selling is measurably increased by the exploitation of studied artistry in containers. Hence we have the rise of a whole school of merchandising-on-appearances, or "selling on looks," which is concentrating on "special molds" of glassware.

New Trends

This, in turn, has produced a very interesting situation in the glass industry. A number of the leading manufacturers, geared to mass production, are not organized for small runs on special molds and have heretofore rather scorned this class of business. In the buyers' market that has prevailed these past few years, specifiers of special molds have been free to impose their will. Quantity producers fancied that they had found emancipation when the return of beer and the near repeal of prohibition revived demand for important classes of standard containers. But the deep-running new trend remains to be reckoned with.

With our eyes on the purchasing sequels to the latter-day enthusiasm for creative design and for color in packages we have only to progress from glass to molded synthetic plastics to have the outstanding example of the new buys in packaging, with the accent on the *new*. Paper, metal, glass, and even textiles, for we must not forget the continued presence of the

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fabrie bag, are all old in tradition, if new in rendition, as packaging and packing agents.

Caps and Covers

This brings us, by easy stages, as it were, to one of the most impressive spectacles of the changing package market: the inrush of new candidates for service as closures. Closure is here used in the most comprehensive sense to encompass all classes of caps, seals, covers, patent carton or can tops, etc. In the case of crowns, caps, seals, etc., the competitive bidding of the rival suppliers is almost wholly in terms of economy and convenience—low cost coupled with ease of manipulation when the closure is subjected to day-by-day repetitions of operation in the average household.

There is, however, a secondary consideration of downright practical importance to many purchasing executives and that consists in the selection of the most appropriate structural material for "liners." Upon the construction of the "liner" or resilient gasket depends much of the efficiency of the sealing and resealing performances of the average cap or closure for bottles, jars, tubes, etc.

An incidental obligation which is laid upon the conscientious purchasing agent arises from the necessity or desirability of selecting liners with due regard for the specific type of closure to be used, whether

screw cap, friction top, crimped vacuum cap, or what not. In lines where preservation of the sanctity of an "original package" is a consideration, purchasing agents are being offered a selection of patented closures or closure—elements designed to provide a film, seal or lock calculated to attest automatically that the original contents are inviolate.

Metallic Packages

The vogue of hand-to-mouth buying at the consumer levels, the penchant for counter display of small hardware and other specialties, and other current persuasions have operated to advance to higher importance in the package field the subdivision made up of collapsible metal tubes. Here, no less than in other sectors, is the inquisitive purchasing agent likely to find himself embarrassed by the wealth of new aspirants for business. Such is the case in both tin and aluminum tubes. One slant of improvement is in the durability of tube finishes, thanks to the introduction of synthetic resinous gums in the coating enamels. Quality has risen under the spur of competition and the adoption of tubes as carriers of foodstuffs and other new recruits but there have likewise been distinct departures in technical design, as, for example, in the case of the so-called clipless closures. Specialization in specification has been a characteristic of recent tube outfitting. By way of illustration let us cite the preference for lead tubes or lead alloy tubes as containers for articles such as adhesives, rubber cements, etc.

In the field of packing materials, as distinct from containers and packaging materials, the new "buys" are falling over one another to catch the eye of the susceptible purchasing agent.

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